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BUSINESS

The MAGAZINE *of* WALL STREET

and BUSINESS ANALYST

MAY 26, 1956

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This newest turbojet fighter, the F104A Starfire, is a product of Lockheed.
Frontispiece by The Austin Co.

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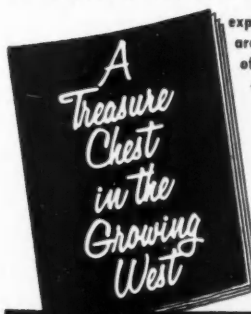
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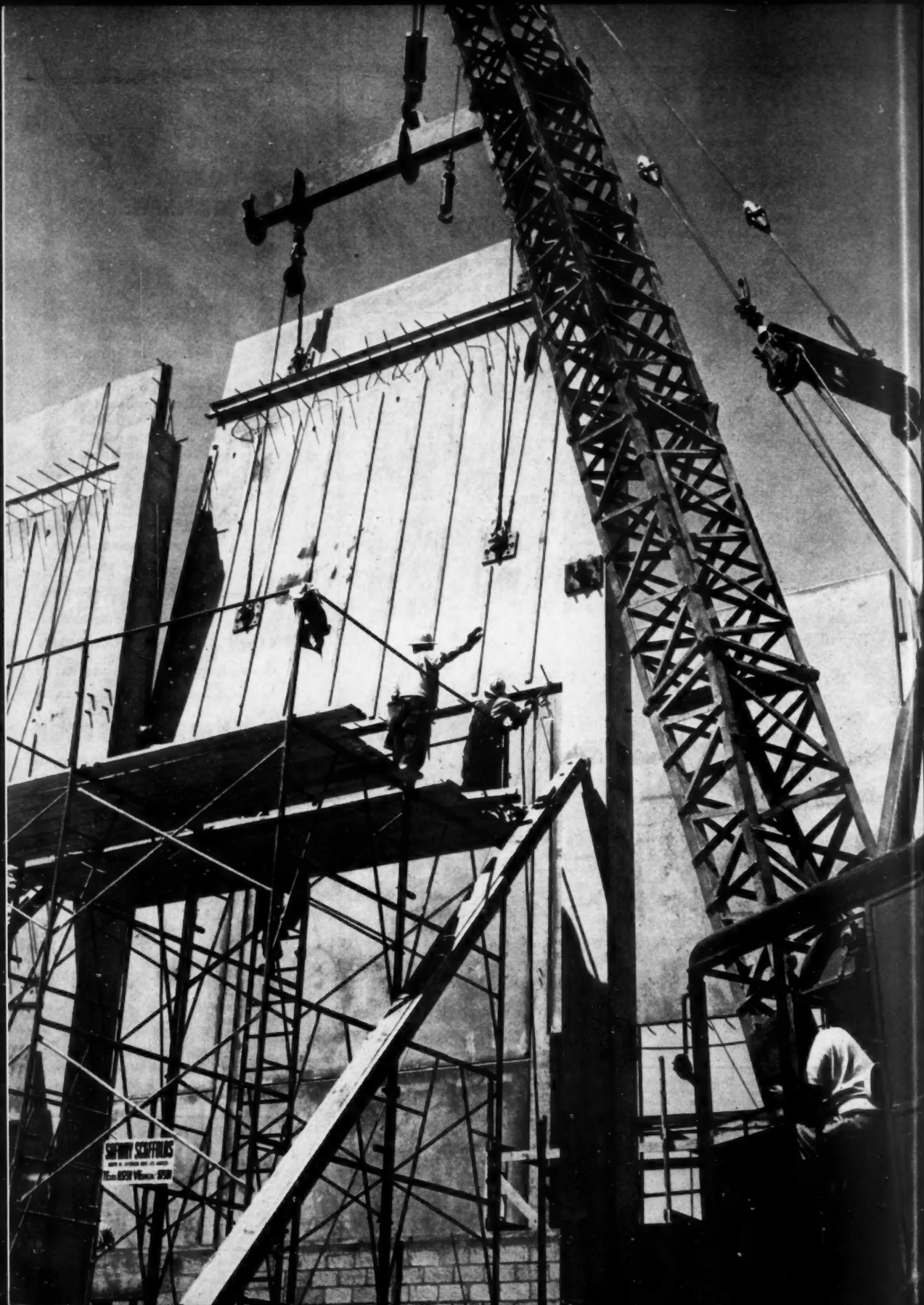
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THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, Editor-Publisher



The Trend of Events

WORKERS' PARADISE . . . Somewhere along Moscow's Madison Avenue they have hammered on a theme, broadcast to the world, that the Soviet Union is the "Workers' Paradise." Well, how are things in Paradise?

It pleases us no end to report that the management in Paradise has decided to release from prison workers who left their job without permission. Henceforth, workers who quit their job without permission will be subject only to "disciplinary action and public censure."

There is no word, as yet, from Paradise that the workers are to have the right to strike, to have a voice in the going wage rate or to engage in collective bargaining with their employer. These, of course, are aspects of a backward capitalist society, where the workers are ruthlessly exploited by the robber barons.

The serfs in this capitalist stronghold now are busily engaged in deciding how much to exact from the steel industry and other businesses in the way of wages and social benefits. If their demands are not met, they may halt production over a broad area of the economy while they go fishing, swimming and hunting. About the only place they can't go is to a slave labor camp.

STEEL, LABOR AND THE ECONOMY . . .

The soft spots now showing up in the economy, notably in industries that produce consumer durables, could have a sizable impact on the forthcoming negotiations between the United Steelworkers of America, C. I. O., and the steel industry. The scramble for steel,

while still considerable, has shown signs of abating. Indeed, much of the demand for steel these days arises out of inventory buildup by companies that fear a strike and/or envision a substantial price boost in the wake of higher wage costs for the steel industry.

The prospect of less frantic buying of steel is calculated to stiffen the stand of the companies against any unreasonable demands put forward by the union. It is one thing to give in swiftly to labor leaders, as the industry did last year, when it was assumed (and properly) that in a sellers' market the costs incurred could easily be passed along to waiting customers.

It is something else again to yield to the labor chieftains when there are increasing prospects of a return to a more normal market, if not, indeed, a buyers' market.

Of course, it is too much to hope that the leaders of the Steelworkers will see the unfolding situation in that light at this stage. The leadership of that union is out to surpass anything obtained hitherto by Walter Reuther, boss of the C. I. O. Auto Workers, in the way of supplementary unemployment pay, wage increases and fringe benefits.

Certainly, there is no reason to believe that the

labor bosses of the Steelworkers will be any more amenable than the C. I. O. Electrical Workers was in dealing with Westinghouse Electric Corp., where the strike went on for five months. It remains to be seen, however, whether the steel producers are prepared to stand up to the union in the fashion of Westinghouse.

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

BUSINESS, FINANCIAL and INVESTMENT COUNSELLORS::1907—"Over Forty-nine Years of Service"—1956

The entire nation, recalling that the swift settlement in the steel industry last year for a 15-cent rise followed by compensatory price boosts for the producers gave yet another turn to the inflationary screw, will be watching the steel labor talks. Giving the union bosses what they want this time could very well lead to a steep increase in steel prices, dwarfing the \$7.35 a ton rise of 1955. It may even add up to biggest rise since before World War II.

None will quarrel with wage boosts that have an economic basis, but the steel industry will be dealing here with men who have their own fish to fry, whatever the cost to the industry, their membership and, indeed, the whole economy.

HARD-HEADED FARMERS... In Indiana and now in Nebraska the farmers have demonstrated that they can be a problem, not only to Government officials, but to the political pollsters and pundits. As everyone who has hearkened unto these soothsayers knows, the farmers were supposed to vote en bloc against President Eisenhower and his fellow-Republicans who are opposed to rigid high farm supports.

That the farmers have serious problems, none will deny. That the farmers have not shared in our booming economy, none will deny. But that the farmers come equipped with good old-fashioned common sense appears to be a proposition that is not accepted in all quarters, judging from forecasts that they would vote against the President in the primary elections as a token of their hostility to the Administration farm program.

As everyone knows, the political pollsters and pundits are practitioners of an exact science. Testimonials are obtainable from highly reputable citizens, including an ex-Governor of Kansas and a former Governor of New York.

NEW ERA OF RETAILING... In this age of taking in each other's washing, it should occasion little surprise that such masculine items as razor blades and cigars are being bought, to a multi-million-dollar tune, by the womenfolk. This is an aspect of the supermarket era. Such stores, which started out marketing food, are taking an ever larger slice of the \$568 million spent annually for cigars. Consumer spending on cigars exceeds, by a substantial margin, the aggregate dollar volume for several non-food items currently handled by so-called food markets: \$136 million for waxes and polishes, \$45 million for tooth brushes, \$126 million for first-aid products, \$108 million for razor blades, \$48 million for shaving cream.

This trend, and it is growing, augurs a fate for the corner cigar store that met the cigar-store Indian.

AS DAY FOLLOWS NIGHT... William McChesney Martin, chairman of the Federal Reserve Board, has declared: "We fight inflation partly because it is the forerunner of deflation." He sees in inflation the destruction of jobs and general prosperity. For those who see no great harm in "a little inflation"—the kind that has characterized our economy for the past many years—he feels they ought to explain to holders of savings bonds, pension rights, savings deposits and building-and-loan shares how "a little inflation"

is going to help them.

Last month, the Federal Reserve Board approved, for the fifth time in a year, an increase in the discount rate—the fee charged by the system for loans to member banks. These increases have aimed at stemming inflationary pressures. There is urgent need of cooperation from business and the banks. As Mr. Martin has said: "In an economy so closely interwoven as ours, there is need for a larger vision on the part of us all."

HOW NOT TO COMPETE... From Burma to Brazil, the Communist bloc of nations has moved to develop trade with the rest of the world. The recent visit of the Soviet hierarchy to Britain highlights the vast stakes for which the enemy is playing.

Americans would seem to be painfully unaware of the threat to our economic position growing out of this new development in foreign affairs. No other conclusion can be drawn from action on the state and county level. In South Carolina and Alabama legislation has been adopted aimed at discouraging sale of Japanese textiles. These laws, instigated by Southern textile manufacturers, force merchants to post signs stating that they sell Japanese merchandise. There is a strong move within the Los Angeles County Board of Supervisors to put over a "Buy American" procurement regulation.

Foreign competition can be painful, but it is difficult to imagine anything more hurtful than the orientation of Free World trade toward the Communist bloc. The kind of thinking that prevails in many quarters in the South and at Los Angeles would create an Iron Curtain of our own, directed at trade with the rest of the Free World. We have pursued these many years a policy of aid, rather than trade. Now, we seem bent on giving priceless aid to the Kremlin campaign to improve trade relations on a broad front.

United States exports last year totaled \$21.8 billion (imports amounted to \$17.7 billion), which provides an insight to our stake in overseas trade.

SHAME OF NEW YORK... New York's Coliseum, built by the Triborough Authority and leased to a private operating company, was opened a month ago as an exhibition hall and convention site. Brought into being by a Federal and municipal subsidy of land acquisition costs, the \$35 million Coliseum in the heart of Manhattan was envisaged as a center that would give the nation's first city its rightful place in the field of conventions and expositions.

The Coliseum has housed photographic, philatelic, automotive and home shows. It also has been an arena for jurisdictional labor rows between the carpenters and the realm of the stagehands. The practitioners of featherbedding and exorbitant large charges are having a field day.

One exhibitor, irate over labor costs, decided to withdraw, but was dissuaded by an explanation that jurisdictional labor disputes were part of the Coliseum's "growing" pains. Chaos created by the union-eers has frightened sponsors of many large expositions planned for the Coliseum next year. Already, they have made it clear that the question of labor jurisdiction must be settled before leases are signed.

BUSINESS, FINANCIAL and INVESTMENT COUNSELLORS: 1907—"Over Forty-nine Years of Service"—1956

As I See It!

By ARTHUR G. GAINES

Dangers In Unjust Taxation

Most of our citizens have been long suffering regarding taxes because they realize that a major part of our spending had to do with the world struggle between United States and the Communist Bloc. We believe they will stoically accept the announcement that the Government surplus of \$1,828,000,000 for the fiscal year 1956 will be used for debt reduction rather than to lower taxes.

There are signs, however, of a stiffening in the taxpayers' attitude. This was plainly evident last November, when Americans gave the Government a jolt by voting down nearly a billion dollars of the bond proposals up for approval in several states. These rejections, on the order of 75% of the total, contrasted sharply with an average approval of 85% in the post-war decade.

In this vote, taxpayers gave notice that they were in a mood to reject new tax demands.

A particular source of indignation among our citizens is the "heads I win, tails you lose" nature of some of our personal income tax provisions... and applies especially to Government demands for additional taxes on previous year's income that reverse established practices. Appeals from such demands are adjudicated on the basis of technicalities and are often entirely inconsistent with the principles of justice and fair play—as even Federal agents have admitted.

As a common example of inequity take the case of a home owner who finds it either necessary or advisable to dispose of his residence. If he makes a profit on the transaction, he is subject to substantial taxes on that gain unless he reinvests promptly in another residence which may be entirely impractical or against his better judgment.

On the other hand, if the home owner sells his house at a loss, he is not allowed to deduct that loss as an offset against other income. In short, the Government wants a share of his gains, but requires that he shoulder all his losses.

The investor in securities is particularly a victim of inequitable taxation. His dividends are subject to double taxes while (unlike any other country on earth) U. S. takes a large measure of his capital gains.

To illustrate the factor of double taxation—if you invested your capital in starting a neighborhood store, at the end of the year after you had paid all

your business obligations and the tax on the income that remained... as the owner you would be entitled to keep the net income after the tax.

In sharp contrast—if you invest your capital in the shares of a large corporation, while the Government would tax the income of that business before you received your share of net earnings in the form of dividends—the matter does not end there. You have to report the dividends you received as personal income—subject to a second tax in the form of your personal income tax, which varies in size according to the tax bracket in which your income falls.

The stockholder has been long suffering in this double taxation—but on top of this he must bear the brunt of unfair capital gains tax provisions.

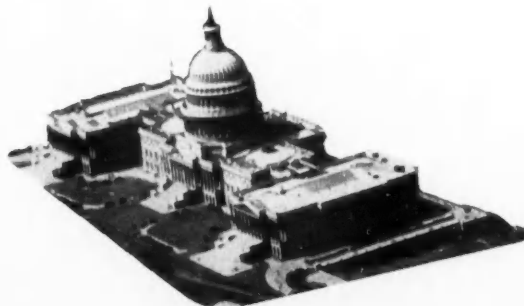
We are constantly receiving letters from investors who tell us that they do not want to take profits because of the capital gains tax. There is great danger in this situation for it is evident that the investment judgment of many investors is distorted by the certainty that if he takes his gains he will lose a large part of the benefits he feels he has earned through sound investment judgment and his courage in assuming calculated risk.

This has greatly interfered with the law of supply and demand in the stock market for this artificial restriction creates a shortage of stocks, thereby adding to inflationary pressure.

The Government investigation of the stock market last year was based on its worry over the high level of security prices—yet their own unsound taxation methods have been a vital contributing cause. Without question, the rise in the discount rate, about which the automobile and real estate companies are complaining, is at least partially due to Federal efforts to control inflationary factors reflected in the level of stock prices.

We predict that if the capital gains tax is substantially reduced, an orderly market will find its

natural level based on true values instead of inflated prices which are encouraged by tax penalty on profit-taking. Furthermore, we believe that the return on capital gains taxes would be increased rather than reduced by a cut in the percentage of this levy—a result which has proven true in a number of tax cases where lower rates brought higher dollar tax returns.



Market Action Stresses Business Instability

Some further easing in general business activity is indicated in nearby months. Thereafter, the scope of the expected fourth-quarter rebound will provide another test of the health of this old and slowing boom. Despite recent reaction, good stocks remain dearly priced. Defer new buying. Stress quality and defensive strategy in portfolio adjustments.

By A. T. MILLER

The stock market was under fairly steady pressure through much of the past fortnight since our previous analysis was written. Of potential bearish significance—unless and until it is reversed—the daily industrial average established a zig-zag downward pattern as follows: April 6 bull-market high 521.05; reaction to April 25 low of 503.02; rally to 516.44 as of May 4, falling over 4 points short of the April 6 top; and decline to 492.69 May 16, in a decisive extension of the April 25 low.

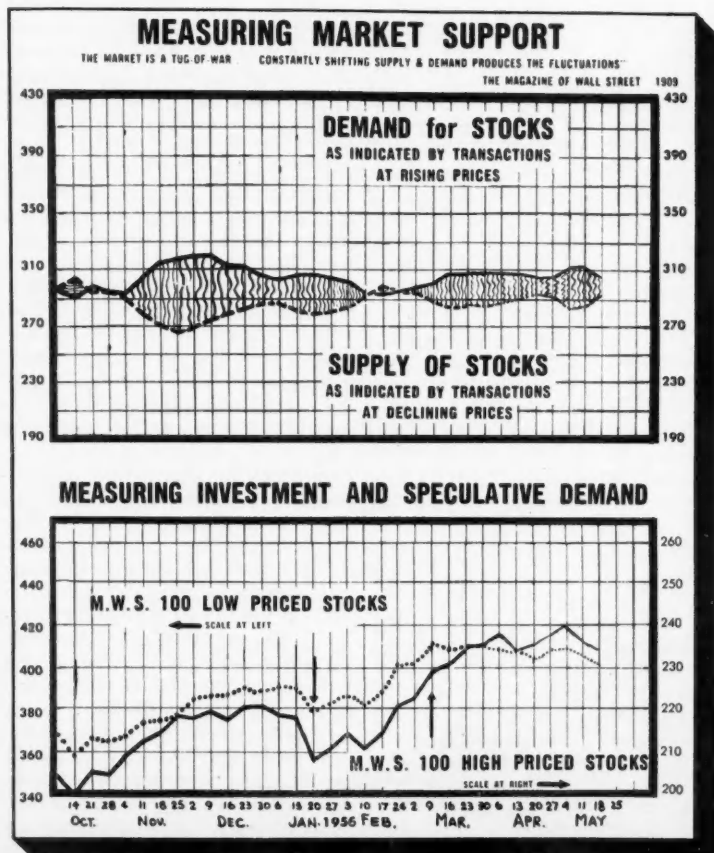
It is true that this kind of pattern can turn out to be nothing more than another interim correction in an unfinished bull market. But it is also true that

bear markets always start with this kind of behavior by the industrial average or the rail average or both. Moreover, the longer a bull market has run and the higher is the level of stock prices, the greater is the justification for viewing a downward zig-zag with suspicion. From a technical perspective, it shifts the burden of proof to the bull side. The fact that a bull market was maintained to April 6 is, of course, beyond dispute. But what the major trend is now is a matter of guesswork.

Technical Indications Indecisive

The market reached an over-sold position, at least for the time being, in the trading session of Wednesday, May 16, with the industrial average down some 5.5% from its high—down enough to cancel more than half of the February-April phase of advance. Rails attained their bull market high to date as recently as May 9, marking a rise of 26.72 points from their February low, against 45.33 points for industrials, but amounting to more than 17%, against less than 10% for industrials. Of that leg of advance, a little over one-fourth had been cancelled at last week's closing low. In that session, while the averages dipped further, more individual stocks showed gains than losses, although not by any great margin; and trading volume dwindled to barely over the 2-million share level, lowest figure since mid-February at the bottom of a mild downswing (milder than the present one) prior to start of renewed rise by both averages to the bull-market highs heretofore cited. Evidently, more buyers were willing by Wednesday to come in and look around—or more shorts willing to cover.

There was a sizable Thursday rally (3.94 points for the industrial average); but share turnover contracted further to less than 2 million for the first time in many weeks. On slightly higher volume, the week's final session brought fractional dips by the industrial and rail averages, a fractional gain by the utility list.



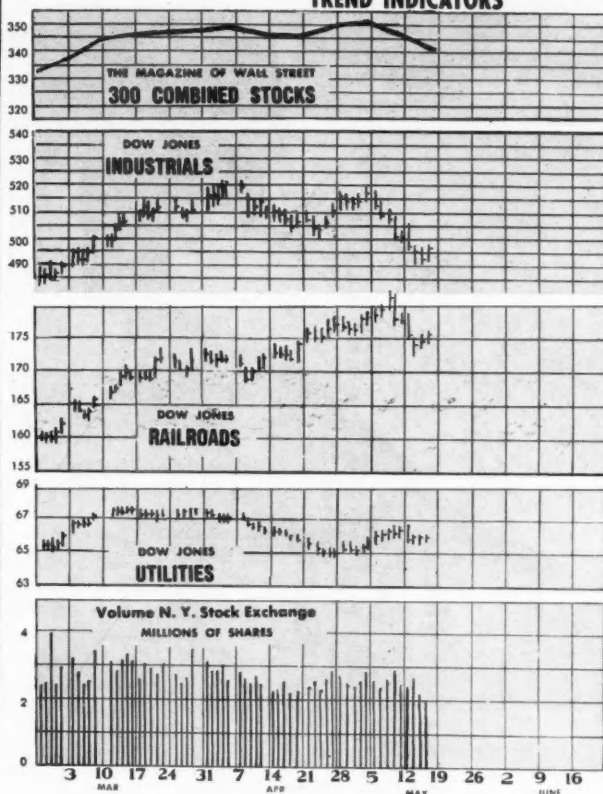
As we go to press, it remains to be seen whether the next development will be a test, or extension, of the May 14 lows, or a resumption, and extension, of the rallying tendencies begun last Thursday and checked—but by no means killed—in the Friday session. If one chose to take the most hopeful view, it would be difficult to make out a case in the present environment for anything better than restricted trading-range fluctuation over the near term, especially in the instance of the industrial average which, aside from more dubious business prospects, is suffering from having been much more over-bullied than rails or utilities since the inception of the major upward trend.

At some point there will be a sizable upswing which will bear close watching. Suppose, for the moment, that for industrials it stops short of the abortive April 25 rally high. Suppose a following sag takes the average under whatever previous reaction low had been recorded, whether the May 16 level (if it is currently destined to stand for a while) or a lower one. In that case, regardless of what rails did for a time, the assumption would be that the shift had been made from bull market to bear market—probably not a big one, perhaps even a relatively mild one. Rails generally do temporarily better than industrials around a final top. They have recently been doing better than industrials after a very long lag.

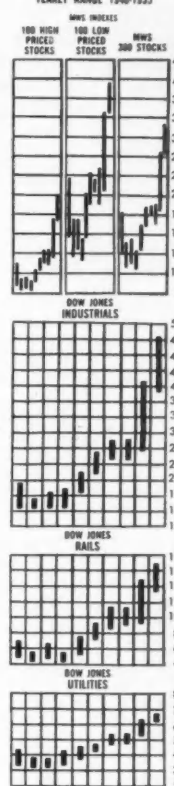
There is no point here in trying to predict the outcome of coming market tests. If you have followed our previous advices to build up conservative reserves in cash or equivalent, and to strengthen your portfolio along defensive lines, you are in a comfortable position now. While not footing up to a prediction, this can be said: Taking into account some signs of weakening in the business picture, the duration of the bull market, the relatively high level of stock prices, reduced dividend yields and increased bond yields, we would not count on the industrial list being able to get above its early-April high within the presently foreseeable future; and we would be surprised if it did so any time soon. Speaking of tests, the "usual" July or August rise (or rally) will bear watching too. If more feeble than usual, that would be another symptom supporting the thesis that the old bull market "ain't what she used to be."

For the past fortnight, as a whole, more individual stocks lost ground than gained; and more recorded new lows for 1956 than attained new highs. The Dow

TREND INDICATORS



YEARLY RANGE 1946-1955

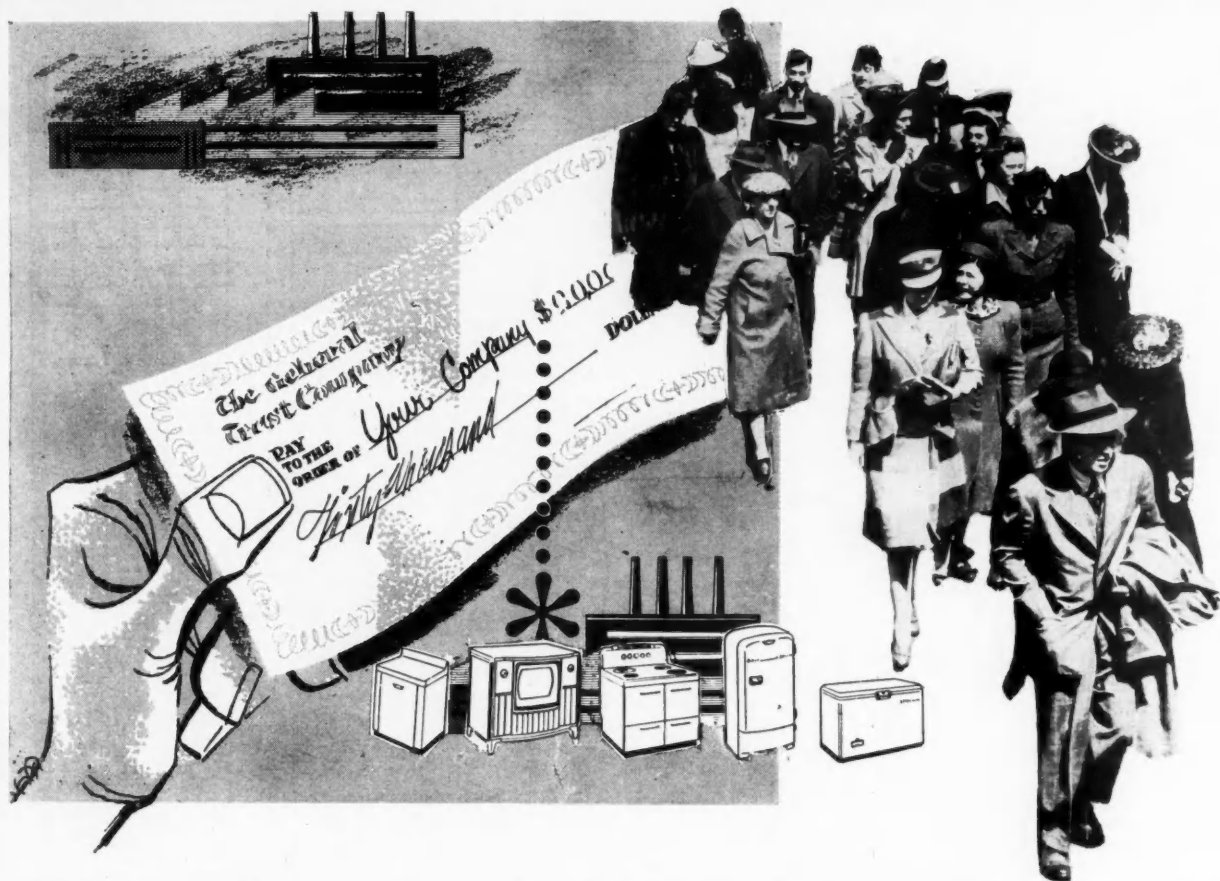


utility average remained in its recent narrow range, closing last week appreciably above its April reaction low and only 1.35 points under its March bull-market high. This is due to the moderately better recent performance of the bond market, and to improved sentiment on money-rate prospects. It is also due to the fact that this average contains some natural-gas stocks, a group recently making new highs. Regardless of the general business picture, the outlook for utility revenues and earnings remains promising—in its usual moderate degree—and on a yield basis the stocks are at a much less historically advanced level than industrials. There is more to be said for holding or buying selected electric and natural-gas utilities than for selling.

The Business Outlook

The slump in the automobile business has gone further. Other soft spots include farm machinery and textiles. Some cutbacks in production of home appliances, due to inventory excess, are reported. Store sales remain under the peak level of last September, and only a shade above a year ago. Housing starts have leveled out at a rate some 20% under a year ago. Total building outlays remain at the year-ago level. The boom now centers in capital goods, as pointed up by a McGraw-Hill survey projecting 1956 capital outlays for expansion and modernization at \$39 billion, up 30% from 1955's.

Monday, May 21.



How Unwise Selling Practices Boomerang on 1956 Business

By JOSEPH C. POTTER

The hard sell of 1955 has turned up the soft spots of 1956.

While the boom of 1955 has carried over into this year, there is this significant difference — those companies that toppled all records last year through use of virtually unlimited credit have fallen behind the parade in 1956. Of two dozen industries surveyed (covering more than 400 companies) it was found that all but three showed gains in the first quarter of this year from the initial period of 1955.

Slumping Consumer Durables

In the van this year are such not-dependent-on-consumer-credit industries as machinery, iron and steel, textiles and apparel, paper and allied products, petroleum, food products and beverages. The three laggards are electrical equipment (encompassing the appliance field), automotive and aircraft. Aircraft producers, of course, reflect the fluctuation of delivery schedules to the military, rather than the general course of business.

Manufacturers of automobiles and appliances (especially the "big ticket" items) must depend, in large measure, on the willingness of the public to go into debt. With a selling campaign last year that was downright seductive, the kingpins of the consumer-durables field were able to get people to take on an inordinate amount of debt. It was a year in which consumer debt rose to \$36 billion from \$30 billion — a jump of 20%. Automobile paper accounted for \$4 billion, or two-thirds, of the increase.

On the testimony of the people in the trade, the automotive industry borrowed heavily from future years to compile its lofty 1955 sales record of nearly 8 million passenger cars. The result: Sales of the major producers are lagging 25% from the showing of April, 1955, and dealer stocks are above the 800,000-unit figure after approaching the million mark earlier in the year — an all-time record.

The overloaded automobile dealer, who ascribed the lack of 1956 business to the fact that "we stole all the car sales last year," has plenty of company. Indeed, this unhappy fraternity extends into the

appliance field — refrigerators, freezers, ironers and cooking ranges, the kind of appliances in which instalment-buying has become a large factor. Sales of such items in the early part of this year have fallen from 6.6% (for ranges) to 44% (for ironers), compared with last year. Moreover, there are growing signs that collections from charge-account and deferred-payment customers are becoming somewhat more difficult. Customers who are finding it hard to meet obligations already incurred are not likely to increase credit purchases.

\$14 Billion Owed for Cars

The American people went into 1956 owing \$14.3 billion for automobiles and \$6.4 billion for other durables. An inevitable reaction has materialized this year — consumers were whittling their instalment credit (although not on cars) in the first two months of this year, reducing the sum by \$11 million. However, during March, consumers added \$180 million in this form of indebtedness. Still, the gain was sharply under the rise of \$466 million a year earlier.

Auto-makers produced 7,920,133 cars last year and 5,556,917 passenger vehicles in 1954, a year in which the economy was in readjustment. Taking the \$2,119 figure, used by the Automobile Manufacturers Association as the price of the average car, it will be seen that American motorists bought \$28,579,-058,950 worth of automobiles in those two years.

To be sure, purchasers of new cars nowadays generally have an old car (and, often, a rather newish

vehicle) to trade in, which goes a long way to offset the list price. It also explains, in large measure, the decline in car sales this year — people who bought on 36 months' (and more) terms in 1954 and last year simply don't have sufficient equity in their cars yet to turn them in without putting up a lot more cash than they can afford or has been the custom.

Surveying the Market

Let us proceed to examine the kind of market in which the automotive industry sold its 1954 and 1955 models. In 1953, as an example, no less than 17% of American families had incomes under \$2,000. Surely, these people, who did not earn in an entire year the price of the average car, were not able to buy the new machines. Yet another 27% of the families had incomes of \$2,000 to \$3,999. Unless these people were granted the most unsound sort of credit (and many were), the group could hardly be called prospects for new cars that averaged a price of \$2,119. Of course, the price was much higher where credit was extended, not to mention the additional costs growing out of insurance, taxes and miscellaneous charges.

Still another 27% of the families that year were in the \$4,000-to-\$5,999 bracket, the kind of people for whom the purchase and maintenance of a new car was made possible only by loosened credit terms. In 1954, banks and finance companies began accepting down-payments on new cars of as little as 25% (many took less, much less) and maturities running to 36 months and more were permitted. Prior to that, standard down-payments were one-third and normal maximum maturities were 30 months.

Of the remaining segment of the population, 22% of the families had incomes of \$6,000 to \$9,999, leaving but 7% earning \$10,000 or more. This distribution of family income was not altered to any great extent in the slowdown of 1954.

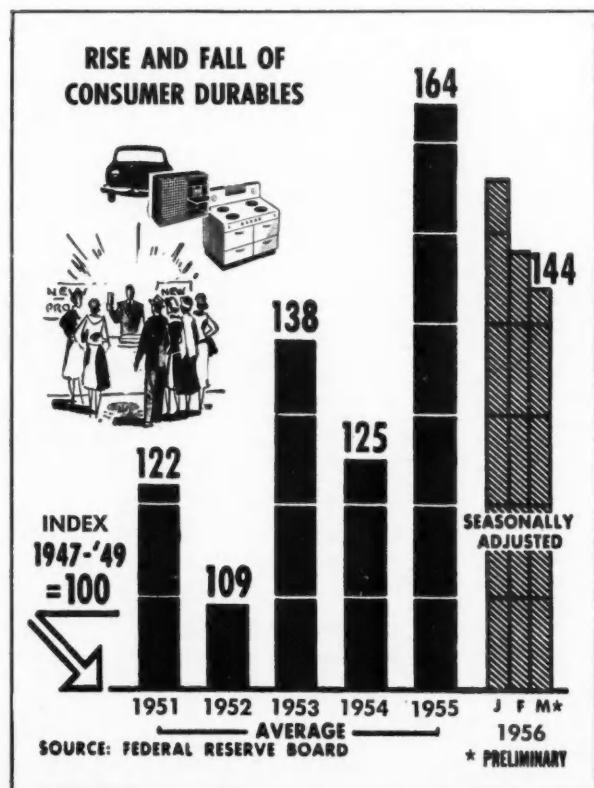
Money Not Needed

The upswing that took hold in 1955 emboldened the public to go deeply into debt, aided by no little encouragement from the kind of advertising that heralded "No Money Down" and "Buy Now and Pay Later." Larded in was a campaign that urged the public to "Trade Up" and "Break the Small-Car Habit." In short: Spend tomorrow's income today and don't spare the horses.

Last year, sales campaigns were given the spur and those essential tools of merchandising — advertising and promotion — were worked harder than ever. Expenditures for advertising soared in 1955 to a record \$9 billion (it was less than \$3 billion a decade ago). The public was bombarded through radio, television and other mass media with repetitious advertising.

The Debt Toll

Total consumer and mortgage debt for 1955 was about 0.4 times income. Thus, debt repayment now is taking the biggest single toll of the income of millions of families. One-third of take-home pay to amortize debt is considered high by banking standards. That percentage is exceeded by a vast segment



of families, especially young ones, which have acquired homes with 30-year mortgages, cars with maturities running to 36 months and appliances bought "on the cuff."

After meeting their debt obligations, families of this type are fortunate if they have the cash to meet such needs as food, clothing, household, utility bills, fuel, medical bills and a variety of insurance. Many of them are turning to banks, personal-loan companies and credit unions for another "shot in the arm."

The onerous debt burden borne by a vast segment of the populace has had the not unnatural effect of helping retailers who do a predominantly cash business. Thus, all retail business, department stores included, showed an average gain of 7% over the first four months of this year. Chain stores, however, appeared to be contributing more to the over-all retail gain than other retail categories. It is noteworthy that "on the cuff" buying plays only a negligible part in chain-store operation.

The soft-goods industry, where credit has only a minor role, provides another instance of business improvement after being neglected by a public that went on a credit spree in quest of consumer durables. The men's clothing industry, as a case in point, operated at 87% of capacity during March, a 10% rise from the 79% rate that prevailed in the like 1955 month. During the first quarter of this year that industry operated at 88% of capacity, against 79% in the initial 1955 quarter.

Competition is particularly fierce for the consumer's dollar — that part of it which is left after he has met his debt instalments. Premiums and give-

aways are rife. These unerring heralds of a buyer's market constitute an onerous burden for corporations. They also breed competitive gimmicks and add up to a vicious and costly cycle.

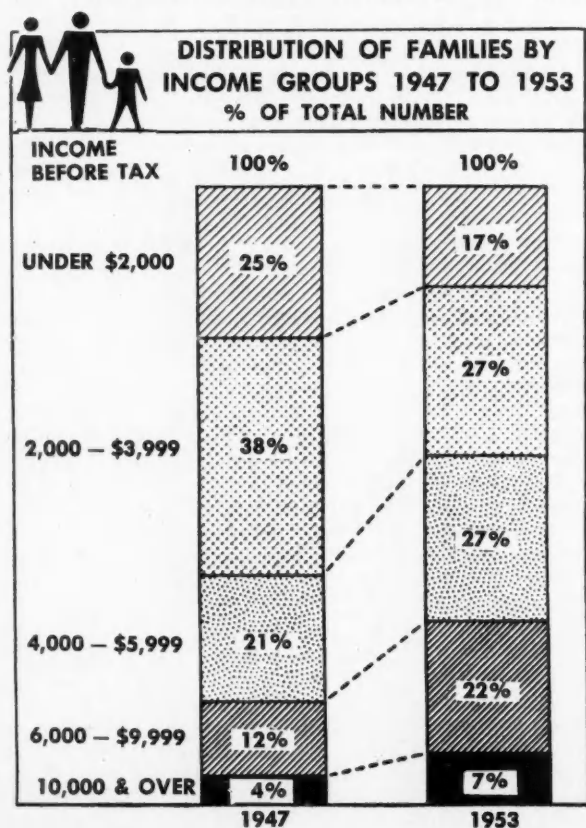
A leading appliance manufacturer is giving away \$35 worth of chinaware with each purchase of a dishwasher. A tire company recently advertised that if the customer would buy a set of four tires, it would give away the fifth. A television-set producer is offering \$25 in merchandise (or even more) with each TV set bought. A watch company announced that instead of putting its men's watches in jewel boxes, it would give away a wallet with each purchase. And, of course, the auto industry is in this picture, too — some companies are giving buyers of new cars a \$25,000 accident life-insurance policy without charge.

Even the ancient trading stamps have been revived. Supermarkets give these away to customers, who save them for redemption for appliances and giftware.

Savings Decline

A study of consumer income and expenditures during the first quarter of 1956 shows the smallest gain in disposable income (income after taxes) since the third quarter of 1954. The increase was \$1.1 billion at the annual rate, compared with the final quarter of last year. However, the gain in consumer spending in this year's first quarter was at an annual rate of \$2.2 billion, exactly double the rise in available income. Significantly, the public made up the difference by cutting down its rate of savings by precisely \$1.1 billion.

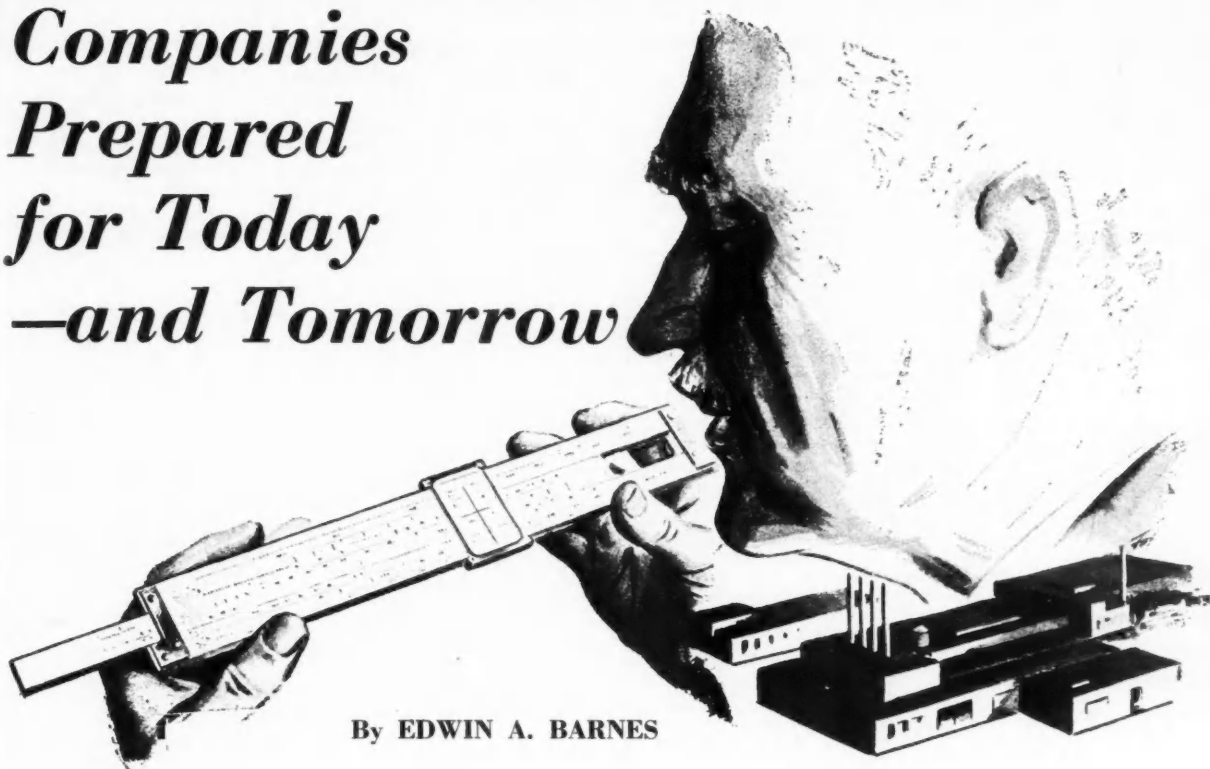
For 1955, personal savings in this country totaled up to \$17.1 billion, a startling decline from the \$18.3 billion attained in pre-boom 1954. And 1954 registered a decline from 1953, when savings hit a postwar high of \$19.8 billion. Indicative (Please turn to page 312)



Personal Savings — The War Years And After

Year	Disposable Income (In Billions)	% of Dispos. Income Saved	Personal Saving (In Billions)
1941	93.0	11.9	11.1
1942	117.5	23.6	27.8
1943	133.5	24.7	33.0
1944	146.8	25.2	36.9
1945	150.4	19.1	28.7
1946	159.2	7.9	12.6
1947	169.0	2.4	4.0
1948	187.6	5.3	10.0
1949	188.2	4.0	7.6
1950	206.1	5.9	12.1
1951	226.1	7.8	17.7
1952	236.7	7.8	18.4
1953	250.4	7.9	19.8
1954	254.8	7.2	18.3
1955	264.5	6.2	17.1

Companies Prepared for Today —and Tomorrow



By EDWIN A. BARNES

In many comments, particularly in the past few years, emphasis has been laid on population growth in this country as an indication of the further expansion of our economy and continued prosperity. In some respects, this is fair reasoning, but not the whole of it. What has been overlooked by a number of the prognosticators is that an increasing population does not of its own accord provide a base for a paralleled expansion in the general economy.

Theodore R. Malthus, the English economist of more than 100 years ago, advanced the theory that a population, if unchecked by war, pestilence, famine or other catastrophe, would tend to grow in geometric rate, about doubling in every generation. He reasoned that each member of the increasing population, however, would have less resources with which to work. Because of diminishing returns, income would have a tendency to fall, bringing poverty and its attendant evils. The Malthus theory has not proved universally infallible. Although an outstanding economist of his day, he apparently was not endowed with the power of foresight. He therefore, could not foresee technological advances, the creation of new products nor the utilization of elements, heretofore unused, creation of entirely new industries and increased employment.

The Need For Vision

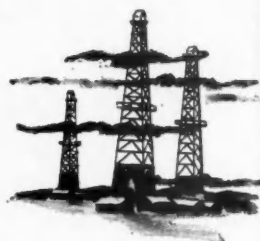
The population factor, of course, provides a base for economic growth, but unless there is dynamism in industry to carry it still farther along the road

of technology, the population even if it remained at a stable level would be exposed to the danger of falling income and a lower standard of living. In fact, few economists will deny that technological advance has been and will continue to be the key factor in the rising standard of living. As pointed out by Mr. Henry B. duPont four or five years ago: "Let us suppose that all research and development had somehow been halted arbitrarily at some given point in history. Without tractors and machinery and chemical fertilizers our farms could not have supported our growing population, and soon we would have stagnated into a nation of paupers and peasants, like India or China, always at the edge of famine. With our food problem solved, people were able to turn their attention to other activities. It is estimated that fully half of the American working population now earns its living producing things unknown in 1902. Since 1930 we have seen huge gains in employment opportunities in new industries that have come into existence as a result of new technology." These new industries have been many and varied, including air-conditioning, synthetic fibers, electric refrigerators and home freezers, frozen foods, new metals and alloys, plastics, electronics with all its ramifications, nuclear energy, and the development of hundreds of new chemicals of inestimable practical value in raising our knowledge of medicine and hygiene, and for use by varied industries, making possible production of innumerable improved and new products.

A Partial List of New Products

American Cyanamid Co.	Recent introduction into the commercial market include "Thimet", a systemic insecticide; "Amino Triazole", a herbicide for deep-rooted weeds, and "Acronize" for application to foods to stop or slow growth of bacteria which cause spoilage. From its Lederle Laboratories has come "Pethilon", for the relief of pain in peptic ulcer cases.
Allegheny Ludlum Steel	Emphasis upon new products such as titanium and zirconium, and new technique for remelting alloys under vacuum which are leading to important diversification in these and related fields.
Babcock & Wilcox Co.	Its Refractories Division has pioneered the development of refractory concretes for high temperature uses. Company is carrying on continuous research and development in the field of steam generation to meet present and future requirements as well as in advancing extrusion processes for tubular products made from titanium, zirconium and other newer metals.
Bendix Aviation Corp.	This company, one of the most highly diversified of American industrial organizations, with many programs in both the military and civilian areas, has long been a leader in electronics, aviation, automotive and communications. Research and engineering development is constantly adding improved and new products in these fields.
Clark Equipment Co.	Its growth reflects years of forward planning to diversify customer and product base, from unceasing search for new markets, and from development of new products in the field of materials handling and labor saving equipment.
Corning Glass Works	Through intense research and development work has brought forth new lines of products of substantially different types for use in electronic equipment, scientific laboratories, pharmaceutical, chemical, and other industries.
Goodrich (B. F.) Co.	Growth has been marked by new product development. The company pioneered tubeless tires, introduced a number of new aeronautical items among which were electrically-heated products for ice removal from aircraft and improved types of airplane wheels and brakes. In the chemical field it brought out for initial market testing "Darlan", a new man-made fiber and developed other new products while its jointly owned Goodrich-Gulf Chemicals began production of butadiene and man-made rubber.
General Electric Co.	Among a number of new products are man-made diamonds for industrial purposes; new products for varied industries and of especial interest to the average homemaker, electronic oven that will roast a 15-pound turkey in 45 minutes; floor and table lamps that can be turned on and off by a touch of the finger; clocks that run by extracting electrical impulses from the air.

Advances That Have Released Americans From Drudgery



These advances have opened up greater opportunities for employment at higher wage scales, and given the worker more hours of leisure. As short a time ago as the beginning of the current century the average American worker in some jobs had nothing but a few simple hand tools while others were compelled to call upon their own physical strength to perform their daily tasks. The majority possessed nothing more than elementary schooling and worked on an average of 70 hours a week, 52 weeks a year. In contrast, today's average workman, supplied with the newest type of machines and equipment, and with considerably more schooling than his forebears, works only 40 hours a week with greater ease and in greater safety. Because of the advances in productive technology achieved by American industries millions of workers have been released from drudgery and have had opened up to them increased opportunities for leisure and cultural development.

This is true progress which Karl Marx could not understand. He saw in the machines that ushered in the mechanical age a threat to the livelihood of the people. He apparently believed, as do some labor groups of today, that to hold output per man to a low level would, in some way, be of economic benefit. The fallacy of such reasoning, if it can be called that, is proved by the rising standard of living in this country, peak employment, and an abundance of every day necessities which include what were regarded as luxuries twenty or, for that matter, ten years ago.

Progress in productive technology, research and engineering development, have brought within reach of the average American workman and his family many items that were prohibited at one time even to those fortunate enough to be ranked in the upper income brackets because of production costs. These are gains that were realized because of farsightedness of American corporate managements advancing productive technology to where it was capable of producing two items where only one was produced before, and expending millions every year in support of research to create better products and new products and wholly new industries to meet today's needs and tomorrow's new requirements. In some circles "tomorrow" is already being referred to as the "Electomic" Age in which electronics and peaceful atomic forces will combine, promising mankind a more abundant future. Even now the application of electronic devices has extended the five senses of man, particularly in the field of measuring, magnifying and calculating. Giant electronic computers are capable of doing a million mathematical computations a minute while an individual using a desk calculator does but a half dozen. Radar, television, X-ray units, and special lighting amplification devices enable man to see in the dark, through fog, and even through metal. Developments in electronics have made possible advances in automation of a number of industrial production processes and other electronic equipment has speeded the progress in the atomic field.

Brief Statistical Data on Selected Companies

	1951		1952		1953		1954		1955		Indicated			
	Net Sales (Mil.)	Net Per Share	Net Sales (Mil.)	Net Per Share	Net Sales (Mil.)	Net Per Share	Net Sales (Mil.)	Net Per Share	Net Sales (Mil.)	Net Per Share	Div. Per Share	Recent Price	Div. Yield	Price Range 1955-1956
Allegheny Ludlum Steel	\$228.7	\$2.70	\$189.1	\$1.69	\$341.5	\$2.20	\$169.6	\$1.15	\$255.2	\$4.13	\$1.60	39	4.1%	43 ¹ / ₂ - 19 ³ / ₄
Allied Chemical & Dye	502.0	4.58	490.1	4.55	545.6	5.10	530.7	4.73	628.5	5.44	3.00	119	2.5	129 ¹ / ₂ - 93
American Cyanamid	388.7	4.04	368.4	3.07	380.3	3.15	397.5	2.95	451.0	4.07	2.50	71	3.5	77 ¹ / ₂ - 48
Armstrong Cork	201.1	1.78	202.3	1.82	217.4	1.95	217.5	2.32	249.3	2.81	1.20	32	3.7	37 ³ / ₄ - 26 ¹ / ₄
Bendix Aviation	340.5	2.79	508.7	3.61	638.5	4.10	607.7	5.62	567.2	5.66	2.40 ¹	55	4.3	63 - 45
Borg-Warner	369.1	2.95	353.9	3.11	407.3	3.26	380.3	3.27	552.1	5.17	2.40	45	5.3	50 ⁷ / ₈ - 34 ³ / ₄
Clark Equipment	121.3	2.61	124.8	2.73	112.7	2.27	91.1	2.51	131.2	4.23	2.00	54	3.7	59 ¹ / ₂ - 26 ¹ / ₂
Corning Glass	115.7	1.48	126.4	1.51	149.2	1.87	147.9	2.59	157.6	2.76	1.50	81	1.8	87 ¹ / ₂ - 54
Food Mach. & Chemical	151.8	4.01	223.4	3.41	229.0	3.67	233.4	3.82	264.6	4.55	2.00	69	2.8	71 - 46 ³ / ₄
General Electric	2,319.3	1.60	2,623.8	1.75	3,128.1	1.92	2,959.0	2.30	3,095.3	2.31	2.00	59	3.3	65 - 46 ¹ / ₄
Goodrich (B. F.)	637.7	4.08	624.1	3.80	674.6	4.08	630.6	4.40	755.0	5.26	2.20	82	2.6	89 ¹ / ₂ - 59 ¹ / ₂
Grace (W. R.) & Co.	294.4	2.89	315.5	2.65	330.9	3.17	413.4	3.36	427.0	4.16	2.00	47	4.2	55 ¹ / ₄ - 41 ³ / ₈
International Tel. & Tel.	288.5	2.60	388.6	3.09	397.2	3.12	412.6	2.80	489.7	3.21	1.80	33	5.4	37 ³ / ₄ - 23 ³ / ₄
Johns-Manville	238.0	3.88	244.7	3.57	252.6	3.10	253.1	2.62	284.7	3.67	2.12 ¹ / ₂	50	4.2	58 ³ / ₄ - 40 ¹ / ₄
Minnesota Mining & Mfg.	170.0	.96	185.2	.98	219.9	1.07	230.8	1.47	281.8	2.07	1.00	73	1.3	75 ³ / ₄ - 40
Monsanto Chemical	272.8	1.57	266.7	1.43	339.4	1.63	341.8	1.45	522.3	1.99	1.00	43	2.3	52 ³ / ₄ - 31 ³ / ₈
National Cash Register	211.9	1.76	226.5	1.56	260.9	1.71	259.1	1.94	301.1	2.33	1.10	47	2.3	48 ⁷ / ₈ - 33 ¹ / ₂
National Lead	389.9	2.05	358.0	2.06	436.0	2.54	419.3	3.05	533.7	4.02	3.00	99	3.0	105 - 54 ¹ / ₄
Pitney Bowes	26.1	1.30	30.6	1.34	32.8	1.48	34.9	2.41	39.2	2.82	1.60 ¹	61	2.6	70 ³ / ₄ - 33 ³ / ₈
Union Carbide & Carbon	927.0	3.61	956.9	3.41	1,025.8	3.55	923.6	3.10	1,187.1	4.83	3.00	123	2.4	131 - 80 ³ / ₄
United States Steel	3,509.7	3.05	3,131.7	2.27	3,853.0	3.77	3,241.3	3.23	4,079.7	6.45	2.60	59	4.4	62 ¹ / ₄ - 33 ³ / ₄

¹—Plus stock.

Advances Promise Greater Gains

In a recent address before the Pennsylvania State Chapter of the American Society for metals, Van H. Leichter, vice president of American Steel & Wire Co., a U. S. Steel subsidiary, pointed out how atomic research has now

developed more than 800 radio-active isotopes which are being put to commercial use with amazing results. Because atomic rays have exhibited the ability to change the properties in metals and achieve transmutation, he suggested that, aided by electronic devices, electric power generated by atomic energy and other atomic phenomena, vastly improved refining processes will provide new highs in strength and other properties in metals. Steel's interests in developing products for tomorrow goes beyond the electronics and atoms in connection with the production of steel having increased strength, greater corrosion resistance, and high electrical conductivity.

For 23 years the corporation has held a Fellowship for research in coal chemicals, established at the Mellon Institute, in May, 1933, for the purpose of extracting from the vast coal deposits such miracles as insecticides, explosives, nylon and other synthetic fibers, dyes, plastics, medicine and drugs, paints and solvents all of which have contributed beyond measure to our present high standards of health and convenience. Within the last two decades, a number of valuable industrial processes have resulted from the Fellowship. Among them is the development of the modern method for the recovery and purification of pyridine, a continuous method

for producing high purity naphthalene, and an improved process for the recovery of light oils from coke-oven gas. The light oils are benzene, toluene, and xylene used respectively in the production of nylon, styrene, dyes, insecticides and other organic chemicals; in the manufacture of many intermediate chemicals, in addition to dyes and explosives; and as an industrial solvent for paints, lacquers, resins and varnishes.

It is evident from the foregoing that Steel is developing greater stature in chemicals while continuing to maintain its position as the leading steel producer, while at the same time preparing for tomorrow by advancing its steel making processes, expanding its line of products which include among other items modified stainless steels, new methods of preparation of cement, development of plastic coated wire, and the manufacture of plastic pipe.

Need To Expand Production Facilities

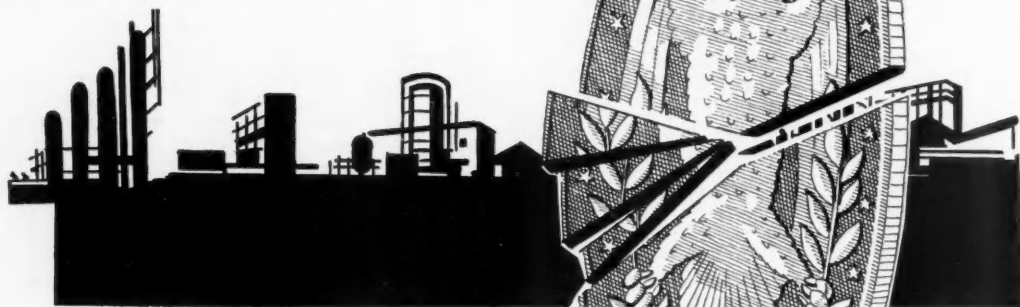
Some idea of Steel's extensive research in improving products and developing new products is had from the fact that more than 500 employees associated with research and development activities are centered in the company's new research center at Monroeville, Pa. This group is engaged in prosecuting a wide variety of scientific and technical programs designed to meet the needs of customers and to maintain Steel in the forefront of technological progress. To meet the increasing needs of a growing nation, the company has embarked upon a program of expansion which as presently designed will add about 2.5 million tons to its steelmaking capacity in the next two to three years. Similarly, it expanded its cement capacity to help meet the acute demand in that field. It also continued persistent and successful search for

(Please turn to page 324)

The Corporate Dollar

—where it goes

By HOWARD WINGATE



At this season of the year, when the annual corporate reports are coming to hand, stockholders are eagerly scanning that portion of the pamphlet that sets forth the distribution of the dollar taken in by the company. Pictured pies and silver dollars, quite frequently, are used by corporations to make their point graphically.

For the most part, investors seek the answer to why dividend disbursements are not more generous and not a few investors even take the time to attend annual meetings of stockholders to make known to "top brass" their disappointment. This not unnatural preoccupation with dividend returns is, in no small part, responsible for the detailed analysis of the corporate dollar that is a hallmark of the modern-day annual report.

Such meticulous reporting on the part of management serves to point up the huge bite taken out of business by such items as the payroll and taxes. In 1954, as an example, income of manufacturers across the country amounted to \$89,920,000,000. Wages and salaries took about \$4 out of each \$5—a grand total of \$71,304,000,000. Corporate income taxes and other taxes did away with another \$9,025,000,000. After allowing \$796 million earned by unincorporated businesses and \$194 million for interest, corporate profit after taxes amounted to \$8,601,000,000.

After payment of dividends, undistributed corporate profits stood at \$3,789,000,000.

Pay More, Keep Less

While it is a fact that our corporations have been paying out more than half of their net profits in dividends each year since 1952 and dividends have been swelled to record size, the stockholder is not unaware that net earnings, by and large, are on a lofty plateau.

There is probably no other business subject that is so simple, yet so involved, as the role of profits. The rise and fall of earnings illustrate clearly a num-

ber of the elementary principles of economics, as they reflect the law of supply and demand for goods, labor, materials and capital. When earnings are high, investment tends to be built up, new labor and capital are attracted, and securities enhance in value. Conversely, when earnings are in a downtrend, there is no growth to finance, expansion plans may be deferred, available labor and capital flow elsewhere, and the stocks and bonds usually discount an inevitable reorganization.

Even G. M. Needs Money

General Motors Corp., which does a greater volume of business than any company extant and last year attained an unprecedented net profit in excess of a billion dollars, is unlike any other company, of course. But it is typical of other burgeoning enterprises in this sense: GM has need of tremendous sums of money to carry on its long-time program of plant expansion.

What happened to the G. M. dollar (\$12,443,277,420 in net sales last year), a stockholder is prone to wonder, since the company has had recourse to borrowing and sale of stock?

For each dollar taken in last year, G. M. paid out 48.5 cents to suppliers for materials, services and the like. The second biggest bite out of the dollar came to 27 cents, which went to labor. Another 12.75 cents was turned over to the Federal, state and local governments in payment of taxes.

Chipped Pennies Of General Mills

Of the remaining 11.75 cents, the company set aside 2.5 cents for wear and tear—providing for depreciation and obsolescence of plants and equipment—and 4.5 cents for use in the business to provide facilities and working capital.

The balance, adding up to 4.75 cents, went to the shareholders.

What Happened To the Money Taken In By Manufacturers

	(In millions of dollars)				
	1954		1955		
	3rd Quar.	4th Quar.	1st Quar.	2nd Quar.	3rd Quar.
Sales	60,584	64,440	65,640	69,962	69,212
Costs & Expenses	55,662	59,443	59,281	62,692	62,326
Net Profit From Oper.	4,923	4,997	6,359	7,270	6,886
Net bef. Fed. taxes	4,996	5,254	6,487	7,434	7,078
Prov. for Fed. taxes	2,338	2,197	3,151	3,556	3,343
Net Profit aft. taxes	2,658	3,057	3,335	3,878	3,735
Cash dividends	1,338	2,002	1,422	1,436	1,565
Net Prof. Retain in Bus.	1,320	1,055	1,913	2,442	2,170

Few companies, of course, are as well situated as G. M. In the food field, as an example, the margin of profit is painfully thin and little is left for the owners and for future development after incidental costs are met.

General Mills, Inc., the nation's largest miller of flour, uses broken pennies, in lieu of pies and dollars, to illustrate the division of the sales dollar. In its last annual report, the company showed 80 cents had been paid out for raw materials and services.

Of the remaining 20 cents, employees got 13.2 cents and taxes took 3.6 cents. This left a balance of 3.2 cents, half of which went to shareholders and one-fourth each (or 8-10 of a cent) for future development and for wear and tear.

So scant is the margin of profit that Harry A. Bullis, chairman of General Mills, long has sought other fields of endeavor to lift the corporate return on invested capital. Mr. Bullis believes: "The pyramid stands; the obelisk falls." The company has tried appliances, mechanical goods, chemicals, sponges and defense goods—not all successfully.

The Celotex Dollars

In the building industry the decade since the end of World War II has been marked largely by boom, although the field has been highly competitive. Celotex Corp., maker of a wide range of products for the industry, pays out 48 cents of each sales dollar for materials, services and other expenses. The wage-salary bill comes to 33 cents, a characteristically high figure for the building business.

Of the remaining 19 cents, 9 cents goes for taxes. The dime balance is divided up this way: 3 cents for depreciation, 4.5 cents reinvested in the business and the other 2.5 cents for dividends. To achieve even this modest showing (net per dollar of sales was raised to 7 cents in 1955 from the 5 cents of 1954) it was necessary to obtain substantial benefits from costly research, plant modernization and general improvements. Capital expenditures by Celotex last year were almost \$6 million. Additionally, plans call for construction of new plant facilities to cost about \$7 million.

That this policy of reinvesting large sums in the business is wise there can be no doubt after a glance at the Celotex showing of 1955. Earnings rose to \$5,082,000, a gain of 58% from 1954 and sales increased 14% to \$71,137,000.

In view of large working-capital needs, dividends have been kept on the modest side. Payout in 1954,

when per-share earnings were \$3.35, was \$1.50. Payout last year, when earnings per share soared to \$5.49, was \$1.75. This year, the stock was placed on a 60-cent quarterly basis.

Problem of Raising Capital

Mere size of a corporation has nothing to do with its ability to retain income. American Telephone & Telegraph Co. (MAGAZINE, May 12) has noted that retained earnings total but \$19.99 a share, only enough to protect the \$9 annual dividend for little more than two years. Return on its capital in the post-war period has averaged out to 5.7%, against 12.4% for the 50 largest manufacturing corporations.

In an era of unprecedented expansion, corporations must not lose sight of rising capital needs, not to mention the need for larger sums in an inflationary period. New capital is obtainable from only three sources:

1. From the business, in the form of net income in excess of dividends paid out and in the cash equivalent of depreciation and depletion charges, which are made against earnings in calculating net profit.
2. From the issuance of additional shares, common and/or preferred, which may be offered to shareholders with the unsold portion underwritten by investment bankers. (Please turn to page 327)

Net Profits And Dividends Of All U. S. Corporations

(In billions of dollars)

Year	Net Profit	Dividend Payments	Retained Income
1924	5.0	3.4	1.6
1925	7.0	4.0	3.0
1926	6.8	4.5	2.3
1927	5.9	4.8	1.1
1928	7.6	5.2	2.4
1929	8.4	5.8	2.6
1930	2.5	5.5	-3.0
1931	-1.3	4.1	-5.4
1932	-3.4	2.6	-6.0
1933	-0.4	2.1	-2.5
1934	1.0	2.6	-1.6
1935	2.6	2.9	-0.3
1936	4.3	4.6	-0.3
1937	4.7	4.7	
1938	2.3	3.2	-0.9
1939	5.0	3.8	1.2
1940	6.4	4.0	2.4
1941	9.4	4.5	4.9
1942	9.4	4.3	5.1
1943	10.4	4.5	5.9
1944	9.9	4.7	5.2
1945	8.9	4.7	4.2
1946	12.5	5.6	6.9
1947	18.2	6.5	11.7
1948	20.3	7.2	13.0
1949	15.8	7.5	8.3
1950	22.1	9.2	12.9
1951	18.7	9.1	9.6
1952	16.1	9.0	7.1
1953	17.0	9.3	7.7
1954	17.0	10.0	7.0
1955	21.6	11.2	10.4

—Deficit.



Inside Washington

U. S. Skeptical of Red "New Look"

By "VERITAS"

INSULATION against temptation to take the Russian "new look" at full face value has been constructed by the London talks in which the Kremlin's spokesmen made it clear that they don't intend to disarm, except in the sense of outdated, conventional weapons, meanwhile having a free hand to deal with nuclear devices as they wish. The Moscow smiles had been softening legislators and others in this country; the London meetings rendered service by proving there's nothing behind them. "Without inspection

behind the Iron Curtain," says Ike, "we're not going to reduce anything; that's all there is to it!"

TREASURY statistics on the fifteenth anniversary of the E-Bond program gave some consolation to the non-professional economists who may have gathered that the country is hell-bent on spending itself into prostration. The figures show that the saving habit still is strong: 40 million Americans own \$40 billion worth of E and H bonds; about 8 million persons are saving about \$160 million monthly through payroll deductions that average \$20 each. The Treasury says that proves people still are saving but is frankly troubled by an apparent reduction, per capita. It could become dangerous.

WASHINGTON SEES:

If the White House can keep Congress busy on other matters for six weeks the fight against politically-inspired income-tax reductions will be won. The agenda appears heavy enough to create that diversion and if it isn't, Ike probably can think of more. But if there are otherwise idle moments the rate of reduction will zoom to the top.

The President is being saved the necessity of vigorously opposing lower taxes in an election year by Treasury Secretary Humphrey who isn't a candidate for anything and is willing to carry the fight. He is being aided by Rep. Daniel A. Reed. Reed jumped the Administration traces on tax matters in the past but now thinks it's time to review the whole subject of taxes, let schedules alone until all the facts are in, then, if it's economically wise to cut, to apply the scissors "all across the board." Reed hasn't alienated others who share his basic belief that taxes can be cut; in fact his proposed study is for the purpose of establishing that they can. And that is agreeable to Humphrey: If it is shown that current and prospective incomes will make a start on debt reduction, balanced budget, and permit lower levies, he'll be for it, he assures.

AIR POWER outlook is not as bad as Senate critics would have it. The White House had sought to keep politics out of air strength but emphasis on segments, rather than relating each part to the whole, has forced Ike to speak out. Data released by him confirm that we are behind Russia in intercontinental bombers, but that craft represent only one, and not the major, part of defense and retaliation which also embraces overseas bases and great fleets of medium bombers, carriers as the corps of an incomparable flying navy, other forms of insurance.

OBSERVERS for this country at the current GATT conferences in Geneva have told President Eisenhower that further negotiations on the level of tariffs would be increasingly unproductive and that renewed efforts should be directed toward removing trade barriers, such as currency restriction, countervailing taxes and other devices which prove much more troublesome than tariffs. And, the President was urged, this country should demand full benefit of concessions granted us but nullified by local actions abroad.

As We Go To Press

► Organized labor has come up with what to its chieftains must be an "agonizing reappraisal" of the individual income-tax reduction which only a few months ago they regarded as a certainty. Then, the unionneers were saying the Federal levy had to be cut because an election was ahead; now the theme has been completely reversed. Says the Machinists' Union, one of the biggest entities within the AFL-CIO framework: "Here we are again coming right up to another tax cut. And guess whose taxes are going to be cut? Not ours, brother, not ours." There's always the chance that the Administration will panic and change signals, says the Union in a ray of optimism which immediately clouds with: "As of this moment the Eisenhower Administration is so confident of re-election that they've passed the word that there is to be no tax bill this year."

► Forecast (and it's shared by others) is that Treasury income will continue at current high levels or increase and that a surplus may be found, at least on the books, but it won't be passed on. It will be used to pay bills and re-establish credit, as the term might be used in private accounting. But unions today are big business, and they are engaged in many private enterprises. Their loyalties are divided in the pro and con of tax cuts. The big shots in headquarters must front for individual income-tax cuts, but privately they concede their business interests wouldn't be served by slashes now.

► Flood insurance programs are being kicked around on Capitol Hill and as the end of the session comes into sight, prospects of legislation this year fade. Ike has asked his Senate leader, Knowland of California, to renew the request for something definitive now. Knowland has a personal political stake: His state was hard hit last winter. The President wants a plan which provides for states sharing in the cost. The Banking Committee has approved S 3732 which doesn't call for state participation, but would assess 60% of the premiums against the federal treasury. Senator Bush of Connecticut, originator of flood insurance in this session has turned in a flipflop. His draft called for state participation. Now he says state contribution is impractical and he'll oppose the legislation if that is contemplated.

► Strategic warfare between racial segregationists and integrationists is broadening and the threat to legislation is becoming more serious. A plan was afoot to get a school-aid bill onto the floor minus compulsory integration of races in classrooms. Members favoring this requirement reportedly had entered into a pact to absent themselves on the day of the vote — not all of them, of course, but enough to those who must go on record although they are personally lukewarm to the idea. Result would be passage of a measure that would leave integration to the states, always with the Supreme Court decision in mind. If it worked with the school bill it would be applied elsewhere. The White House favors race equality in public space but the President doesn't want legislative process hamstrung. That could influence prospective absentees.

► Rep. Adam Clayton Powell of New York City is pledged to defeat any expenditure, military or civilian, which countenances segregation. Since Congress votes money only for public purposes, that about spans the area of spending. He has devised a way to meet the threat of absenteeism followed by teller votes in which no record-by-name ballot is recorded: A group of 25 persons has pledged to sit in the galleries during each teller vote, list those opposing, and make their report direct to the press. It isn't a new approach, nor is it a completely useful one: Newspapers are unwilling to trust, and possibly libel Congressmen on, the flash-of-an-eye identification of 435 representatives and 96 senators passing through a teller's station.

► Senator Paul H. Douglas says he's still awaiting replies to his suggestion that American insurance, banking and business submit proposals to safeguard employe

welfare and pension funds. The No. 1 "Labor Senator" has placed the onus on management by asserting unions already have indorsed the idea of legislation. Douglas finds this most interesting in view of the fact that his subcommittee has found many things to criticize, as well as things to commend, in present methods. Said the Illinoisan: "I hope the insurance industry and the representatives of business and the banking interests, which were also subject to some criticism, will take action."

▶ The Treasury has instituted a campaign of education to inform Congress just what could happen if railroad workers are granted the tax exemptions they seek, on contributions to their retirement fund. In the first place, says Treasury Secretary Humphrey, there would be a loss of \$70 million a year in revenue. But the vitality of the fund also gives the Treasury concern. The Railroad Retirement Board opposes the legislation, which in addition to the tax exemption contemplates a 15% increase to pensioners. The Board computes an actuarial deficiency of \$86 million now, says the proposed changes would make the deficiency \$102 million a year.

▶ It could be coincidence that the Democrat-bossed Senate Committee on Investigations dragged the name of Vice President Nixon into its research within a few days before court proceedings involving Matthew J. Connelly, aide to Harry Truman. Things don't ordinarily work out that way, however. Especially when the Connelly trial for influence-dealing had been on the docket for about one year, suddenly moved ahead, and simultaneously the committee saw great need for a Saturday executive session, unusual in itself. Murray Chotiner, Nixon's political campaign manager, had friends in the White House who admit they made some telephone calls from the Executive Mansion in furtherance of Chotiner's Federal cases. Connelly is accused of helping his clients' friends also — phone calls from the White House, on Federal cases.

▶ The wrong cast of characters seems to have been assembled for the lobby investigating show. It appeared foreordained to mediocrity from its very prologue, the selection of Senator Francis E. Case as a beneficiary of lobbyist largesse. There is nothing sensational or questionable about Case. He has neither the faculties nor the disposition for good performance; he reported a \$2500 contribution which seemed to him too proximate to the gas bill vote, satisfied his own conscience (and that of about everybody else) and stepped off the stage. Some others have been zealously working to hypo the script, but it hasn't worked out.

▶ The first witness, Maston Nixon, was a letdown to sensation hunters. His recital resembled a CPA's report on activities as chairman of the General Gas Committee. He related how his group raised about \$120,000 from oil and gas companies and spent it for its declared purpose, namely to win friends and votes for the legislation. But the disbursements fell into such ordinary categories as staff salaries, publications, office rent, telephone calls, entertainment and meals, etc. Congress was the ultimate target, but not the point of contact, it was clear. It seemed to bog down into a very ordinary use of orthodox methods to convince common people that their elected representatives would serve them best by voting for the bill.

▶ The charts and graphs are all in favor of the Republicans, and so also are the payrolls and the bank balances. But the Democrats counter with the argument that the prosperity abroad in the land today is statistical rather than a reflection of what the individual has and enjoys. They like that individual approach. Possibly because individuals vote and blocs, as such, don't. The statistic that, under Eisenhower, corporation profits went up 34% and individual incomes went up 8% echoes through campaign documents. But the Republicans can show that inflation has been checked and the 52-cent dollar hasn't lost ground while, under the Democrats, the dollars' purchasing power fell from 78 cents to 52 cents and was going down even more. Yes, answer the Democrats, but rents, utilities, and medical care are 'way up and they say they don't want an economy which is balanced on a single item — the prostration of the farmers. Reply of the GOP is, if the Democrats were so worried about the farmer why did they legislate him into depression? And so it will go day after day, into the night, until November.

Europe is new target in Soviet trade offensive

Europe is the new target for Soviet economic penetration. East-West trade is now the major business topic among economic planners in West European capitals. It was hailed as the one real achievement of the Khrushchev-Bulganin visit to England, it was the keynote at the Geneva meeting of the United Nations Commission for Europe and it has resulted in renewed internal pressure on the German government to establish regular trade relations with the Soviet Union. In moving into Europe the Soviet bloc will face quite a different picture from that encountered in the underdeveloped areas of the world, on which it has so far concentrated in its commercial expansion policy. The underdeveloped countries provide an eager market for practically every manufactured item.

Style, newness and — to a certain extent — even quality are secondary to delivery and credit terms and willingness of the exporter to accept payment in certain staple commodities. But in Europe, the Soviet countries must compete against a highly advanced local economy as well as against imports from the U. S., since European gold and dollar

WESTERN EUROPE'S TRADE WITH EASTERN EUROPE				
	IMPORTS		EXPORTS	
	million dollars	Per Cent of West Europe's Total Imports	million dollars	Per Cent of West Europe's Total Exports
1938	1,012	8.1	751	8.1
1950	727	3.0	613	3.1
1951	910	2.7	708	2.6
1952	840	2.6	709	2.6
1953	723	2.3	634	2.3
1954	879	2.6	803	2.7
1955	1,089	2.8	899	2.7

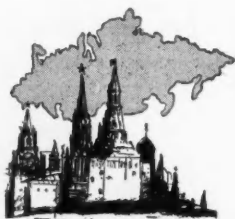
reserves have been built up to the point where restrictions against dollar imports can be gradually whittled down. It is for this reason, rather than the embargo on the sale of strategic goods to Soviet countries, that trade between West and East Europe has never exceeded 3% of Western Europe's total foreign trade in the last five years.

Whether the Soviet bloc's new effort will result in a vast increase over these figures is questionable from a purely economic point of view. The Russians seem to be aware of that and at Geneva they proposed, above all, to increase shipments of coal and, later, oil to Western Europe, in the knowledge that fuel supply is now Western Europe's most vulnerable point and that most countries buy only reluctantly the increasing quantities of U. S. coal, since it means spending dollars for a commodity which until recently was available locally. More Polish, Czechoslovakian or Russian coal would therefore be welcomed by West European coal consumers.

But the Soviet Union is after more than just higher coal exports. Its real purpose is to prevent further West European integration by muscling in on the various intra-European organizations from which it is excluded. It is not a member of the Organization for European Economic Cooperation (OEEC), of the European Payments Union, nor of the Council of Europe, all set up, often with U. S. financial help, to facilitate European unity. The Soviet aim to undermine these bodies becomes clear in the light of their proposals made at Geneva last month: creation of (1) an all-European trade organization, (2) an organization for settling multi-lateral trade debts between European countries and (3) a special body designed to expand business contracts between Eastern and Western Europe.

All the proposed organizations would duplicate and confuse the work of existing organizations which have functioned for years. While there was a great deal of public elation over the new Russian suggestions, which were taken by many as evidence of a genuine desire of the Soviet bloc to improve its relations with the West, the more seasoned Western delegates stressed the point about duplication. Finally, the Soviet countries were asked to submit detailed proposals to show to what extent, if any, these new organizations would contribute to the already established ones.

Soviet-British Trade Likely to Increase



More trade with the Soviet Union is also the economic talk of the town in London. Khrushchev and Bulganin managed to antagonize a good many Britons during their stay in England, but their proposal to increase purchases from the sterling area by

an average of nearly \$600 million per year over the next five years was received with cheers by almost everybody in the export-conscious country. The Russians even submitted a fairly detailed shopping list. Here again, the purpose of the Soviets was both economic and political. At least one-third of the goods they want fall under the strategic embargo. The Russians obviously hope that the lure of such big export orders may cause Britain either to pressure the U. S. into liberalizing the list of embargoed goods or renouncing the embargo agreement. Prime Minister Eden has made it clear that he has no intention of following either of these two courses

but he felt there was "scope for considerable improvement" in Anglo-Russian trade in non-strategic goods. There is no doubt that United Kingdom exports to the Soviet Union can be expanded above the \$92 million of last year but whether even half the Soviet target of \$600 million can be reached is doubtful in view of the fact that—aside from the strategic goods—the Soviets want a good many items of which there is either a scarcity in England or a ready market in America or Western Europe.

Sterling Area Reserves Improve

Meanwhile, Britain's current foreign trade continues to show a slight but steady improvement, as is illustrated by the latest figures for sterling area gold and dollar reserves. In the first four months of 1956 these increased each month and at the end of April stood at \$2.3 billion, or \$208 million above the beginning of the year. During the same period of 1955 reserve figures had dropped each month, showing a total decline of \$76 million for the four-month period. Sales to the American continent have done particularly well this year. So have sales to Western Europe during the last two months. However, it is still too early to see in this trend a clear recovery in the sterling area's hard-currency reserves. In both 1953 and 1954, the reserves had risen much faster during the first four months than this year. Also, there is still strong pressure for further wage rises while unemployment continues to be almost non-existent. However, installment sales have declined sharply in response to the various recent restrictions and the new "premium bonds" (under which a purchaser has a chance to win tax-free prizes of up to \$2,800) should also help to soak up excess purchasing power.

The proposed tax bill contains also one item of direct concern to American business men in England. It would make the entire income of resident foreigners taxable, regardless of where it is earned. Up to now, an American employed in England, but paid by a firm in the U. S., was taxed only on the part of his income which he transferred to England but not for the part he let accumulate at home. Foreign nationals working in the U. S. have always had to pay taxes on their entire income, regardless of where it is earned or spent but since lower taxes abroad are one of the main inducements for U. S. business executives to leave home, the new tax, if passed by Parliament, could make Britain a lot less attractive for American concerns with overseas branches or subsidiaries.

U. S. Trade With Latin America Shows Changes

Final figures for U. S. trade with Latin America in 1955 were released late last month by the Department of Commerce. They show changes over previous years. (See table A).

On the whole the Latin American market showed a small contraction last year. Exports to the 20 republics fell off by about \$70 million from 1954. However, the decline is due entirely to lower shipments to Brazil, which dropped by \$241 million, as a result of the severe foreign exchange crisis brought on by the collapse late in 1954 of world coffee prices, Brazil's major export commodity. All other Latin American countries together showed an increase in

TABLE A

U. S. TRADE WITH LATIN AMERICA
(in millions of dollars)

	1953	1954	1955
Exports	3,134	3,377	3,308
Imports	3,442	3,290	3,334
Export (+) or Import (-) Surplus	-308	+87	-26

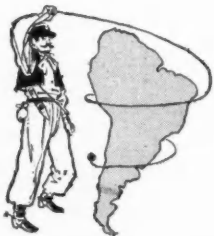
Trade consisted of the following leading commodities (in millions of dollars):

U. S. EXPORTS			U. S. IMPORTS		
	1954	1955		1954	1955
Machinery	825	801	Coffee	1,360	1,228
Motor vehicles	410	415	Cocoa	132	94
Chemicals	357	356	Cane Sugar	298	305
Foodstuffs	352	339	Other foods	205	227
Textiles	195	166	Wool	66	73
Iron, steel prods.	144	165	Metals, alloys	368	405
Metal manufacture ..	126	133	Petroleum, prods.	485	555
Petroleum prods.	119	131	Chemicals	33	32
Paper, products	66	74			

purchases of U. S. goods of about \$146 million. The sharpest gain was registered in Mexico, whose economy recovered fully in 1955 from the consequences of the peso devaluation of 1954 and has since been in a state of high prosperity. Venezuela, Argentina, Cuba, Peru and Chile also bought substantially more from us in 1955 than in the previous year.

Imports from Latin America showed a small gain over 1954 and reached a total of \$3.3 billion. However, this figure hides a sharp discrepancy between agricultural and non-agricultural imports. The latter rose by about \$180 million, due largely to a sharp increase in our purchases of crude and fuel oil from Venezuela and copper from Chile. On the other hand, the import value of Latin American foodstuffs fell sharply, mainly because of the price decline of coffee and cocoa.

U. S. Coffee Policy Antagonizes Latin America



Last year's fiasco in coffee exports has caused a visible stir in Latin coffee diplomacy. The aim is to stabilize coffee exports of all Latin nations — and, if possible, of the African nations, too — so that the possibility of an oversupply with ensuing price declines and foreign exchange crisis for the countries concerned could not happen again. The

mechanics of this would consist of an international coffee agreement, similar to the world wheat agreement, the tin pact and other international agreements designed to force a balance between supply and demand of a given commodity by assigning export and/or import quotas to the major producing and consuming countries. The Coffee Committee of the Organization of American States (formerly Pan-American Union) recently put the weight of

its prestige squarely behind the coffee pact proposal. The result has been a new flurry of talks. The Coffee Committee's warning that in the absence of an agreement prices might again plummet to unprofitable levels has put additional pressure on the countries concerned. However, the whole proposal has now received a sharp and, apparently, unexpected setback with the U. S. announcement that it would not join the proposed pact. Since the U. S. had been on the committee which had unanimously recommended the pact, our new stand has caused amazement and resentment in Latin America.

Of course, strictly from the economic point of view, the U. S. position is quite understandable. As the world's largest coffee consumer it is not interested in any quota agreement which will keep the price at a higher level than it would otherwise be by a concerted policy of withholding excess coffee supplies. However, there is also the issue of economic stability in the Western Hemisphere and our stake in it may well override our interest as coffee consumers. This is not to say that it is necessarily wrong for the U. S. to remain outside any coffee agreement but it is another illustration of the conflict so often encountered between our short-term interests as buyers and sellers and our long-term interests as a world power.

Copper Boom in Chile

In 1954, Chile had the dubious record of being the world's most inflation-ridden country. In 1955, the cost of living rose by another 90% but a sharp improvement took place in the foreign trade sector with exports rising by 21% while imports went up by only 10%, thus giving the country a foreign trade surplus of almost \$100 million, twice as much as in 1954. For Chile, whose foreign debt arrears had been growing at an uncomfortable pace, this is a most urgently needed relief. The improvement is, of course, based almost exclusively on the spectacular recovery of copper which accounts for over 60% of Chile's export earnings. World copper prices jumped from about 30 cents per pound at the end of 1954 to 50 cents last December and by March of this year had reached the all-time high of about 55 cents at the London Metal Exchange. As a result, Chile's copper exports rose to \$380 million in 1955 and are officially expected to reach \$552 million this year. At the same time two big U. S. copper companies in Chile, the Anaconda Co. and the Kennecott Copper Corp., have been encouraged by the high world demand and a lowering of Chilean taxes to engage in a vast expansion program at an overall cost of well over \$100 million while another U. S. mining concern, the Cerro de Pasco Corp., is offering to enter Chile with an initial investment of \$50 million.

The increased foreign earnings have given Chile a chance to put her economic house in order, something which the Government has attempted several times in the past without success. This time, however, it has a blueprint for action, designed by the U. S. economic consulting firm, Klein & Sachs of Washington, D. C., hired last August by the Chilean government. The Klein & Sachs program is:

- (1) to establish a

(Please turn to page 319)



Will Aircraft Shares Resume Their Upswing?

By H. S. TRAVIS

When historians of a future generation attempt to describe events of the first postwar decade, they may have some difficulty in explaining huge military expenditures in a world supposedly at peace. Hundreds of millions of dollars have been devoted to production of armaments since V-J Day, and so far as can be seen the pattern of recent years is destined to prevail for some time to come. Notwithstanding numerous international conferences, virtually no progress toward genuine disarmament has been achieved.

Distrust between the East and the West, conducive to environment of military preparedness, seems destined to dictate emphasis on aircraft development for many years ahead. Pessimists will contend that economic consequences can hardly prove other than harmful. Optimists will argue, however, that many benefits already have accrued and probably will multiply. One substantial gain that can be attributed to aggressive research stemming from military operations is advancement of jet air travel. The time for telescoping distance between remote spots of the world undoubtedly has been hastened by perfection of modern jet engines. Other developments such as atomic energy for peaceful pursuits could be mentioned as beneficial contributions.

Discussion of prospects for aircraft manufacturers this year must include comments on the significant enlargement of commercial orders, whereas in times past the outlook for the industry had to be viewed almost entirely in the light of prospective

military business. Several leading manufacturers now are engaged in preliminary work on extensive commitments from major airlines for jet transports to be delivered in the next four or five years. This transition period should prove extremely profitable for principal manufacturers, since each plane completed will represent a far greater cash transaction than models currently in use. Moreover, development expense to a considerable extent can be traced to military orders, so that actual profit margins on forthcoming jet planes should prove quite satisfactory to builders.

Jets, Rockets and Guided Missiles

Congressional inquiries into the Nation's preparedness, especially in the area of guided missiles and intercontinental bombers, undoubtedly have exerted pressure on the Defense Department to speed production of essential weapons. This development is likely to have a mixed effect on operations of numerous aircraft manufacturers. Many small concerns which recently have booked orders face the prospect of tooling up for work on new types of components. Such adjustments, coming at a time when deliveries on old contracts are declining, foreshadow lower earnings. Major manufacturers may benefit, however, in larger volume of civilian business while re-arranging manufacturing facilities for military orders.

Indications point to a gradual acceleration of out-

Statistical Data on Leading Aircraft Companies

	Earnings Per Share			Dividends Per Share			Recent Price	Div. Yield†	Price Range 1955-1956
	1953	1954	1955	1953	1954	1955			
Beech Aircraft	\$3.10 ^d	\$4.51	\$4.79	\$.75	\$1.25	\$1.20 ¹	20	6.0%	30 - 18½
Bell Aircraft	1.96	2.47	2.25	1.00	1.25	1.25	22	5.6	38 - 22
Boeing Airplane	6.26	9.85	9.33	1.75	3.00	3.25	88	3.6	90 - 54½
Cessna Aircraft	1.54	2.98	3.88	.50	.75	.75	34	2.2	36½ - 16½
Chance Vought Aircraft	—	6.15	4.41	—	.80	1.60	35	4.5	68 - 29½
Curtiss-Wright	1.36	2.50	4.74	.60	1.00	1.75	34	5.1	35½ - 15½
Douglas Aircraft	5.15	9.80	7.65	2.16	4.33	4.00	85	4.7	94 - 62½
Fairchild Eng. & Airc.	1.73	1.43	1.41	.80	.80	.55 ¹	13	4.2	21½ - 12½
General Dynamics	3.51	4.60	4.23	1.12½	1.62½	2.15	64	3.3	80 - 37½
Grumman Airc. Eng.	3.24	5.10	4.43	2.00	2.00	2.50 ¹	33	7.5	41½ - 29½
Lockheed Aircraft	5.79	7.94	6.12	1.62½ ¹	2.85 ¹	3.00 ¹	49	6.1	64½ - 40½
Martin (Glenn L.)	6.42	7.85	4.92	—	1.00 ¹	1.50 ¹	35	4.2	44 - 23½
McDonnell Aircraft	3.09	2.52	3.17	.50	.50	.50	30	1.6	32½ - 14½
North Amer. Aviation	3.72	6.46	9.42	.75	2.75	4.50	92	4.8	95½ - 47½
Northrop Aircraft	2.38	2.62	7.89	1.00	1.00	1.60	25	6.4	39¾ - 22½
Republic Aviation	5.66	6.10	10.01	1.50 ¹	2.00 ¹	3.00 ¹	34	8.8	46¾ - 28½
Rohr Aircraft	1.70	3.90	3.63	1.00	1.00 ¹	1.20	23	5.2	35 - 21
Ryan Aeronautical	3.80	5.15	4.07	.50	.50	.50	33	1.5	50½ - 27
Solar Aircraft	4.24	3.04	3.03	1.15	1.10 ¹	1.15	20	5.7	27¾ - 18
United Aircraft	4.15	5.11	6.14	1.83	2.33 ²	2.75	69	3.9	74½ - 44

^d—Deficit.

†—Based on 1955 dividends.

¹—Plus stock.

²—Plus 1 share Chance Vought Aircraft for each 3 shares held.

Beech Aircraft: Supplemented by subcontract for work on Lockheed F104, volume of orders should assure high rate of operations this year. Civilian business holding at satisfactory level. (C)

Bell Aircraft: Increasing emphasis on missile contracts and other classified military projects should help sustain volume despite drop in Air Force business. Civilian helicopter demand rising. (C)

Boeing Airplane: Prospect of increased production on jet bombers regarded as reassuring. Orders building up for other modern military and commercial craft. Earnings afford wide coverage for \$3 dividend. (B)

Cessna Aircraft: Expansion in subcontract volume as well as in commercial business encourages outlook for earnings gains. Helicopter business in sight. Continuance of improved dividend likely. (C)

Chance Vought: Abnormal expenses involved in changing contract work having adverse effect on profit margins, but increase in shipments is anticipated in coming year. Dividend coverage adequate. (B)

Curtiss-Wright: Increase in commercial shipments affording wider margins than military contracts accounts in part for higher earnings. Outlook promising for earnings of \$4 a share or more this year. (B)

Douglas Aircraft: Temporary decline in net profit indicated by lull in contract completions on commercial orders. Large backlog on jet airliners for 1958-1960 delivery affords cheerful prospect for next year. (B)

Fairchild Engine & Airplane: Despite downtrend in military orders for transport planes, other items should help sustain earnings. Turboprop engine attracting attention. Progress made in guided missiles. (C)

General Dynamics: Wide diversification in supersonic aircraft, electronics, guided missiles and nuclear-powered submarines should afford measure of stability. Modest profit gain possible. (B)

Grumman Aircraft & Engineering: Profit margins well maintained despite some cutback in shipments, indicating that 1956 results may compare favorably with 1955 showing. Good coverage for \$2 dividend rate. (C)

RATINGS: (B)—Good Grade Speculative issue.

Lockheed Aircraft: Uptrend in earnings expected as deliveries on supersonic jet fighter increase in coming months. Large backlog of orders for commercial craft should enlarge shipments this year. (B)

Martin (Glenn L.): Although prospects appear favorable for rising volume on new products, including a jet seaplane and guided missiles, outlook for margins is rather less assuring than in 1954 or 1955. (C)

McDonnell Aircraft: Increase in military orders, especially on Navy contracts, helps bolster competitive position and near-term prospects seem promising. Net for year ending June to make favorable comparison. (C)

North American Aviation: Diversification in output on Air Force and Navy contracts and active program in guided missiles hold promise of further improvements in earnings and a higher dividend. (B)

Northrop Aircraft: Unsatisfactory margins on military planes and inability to enlarge volume in other products may depress earnings this year below 1955 showing, but \$1.60 dividend seems secure. (C)

Republic Aviation: Phasing out of some models and handicap of prolonged labor dispute point to sharp drop in 1956 earnings from last year's \$10.01 a share. Net profit should cover indicated \$2 dividend. (C)

Rohr Aircraft: Unusual tooling-up expenses incident to preparation for new contracts are expected to have moderate depressing effect on earnings for year ending in July, but orders are climbing. (C)

Ryan Aeronautical: Despite enlargement of backlog of orders, profits may not register significant improvement this year, since costs of model changes may prove handicap. Prospective rise in shipments should help in 1956-57. (C)

Solar Aircraft: Large volume of business in replacement market for jet engine parts should encourage recovery from setback in year just ended attributable to retooling for new types of components. (C)

United Aircraft: Rising trend in J-57 jet engines promises to bolster 1956 shipments, pointing to advance in net profit over 1955 showing. Indicated \$3 annual dividend may be supplemented by stock extra. (B)

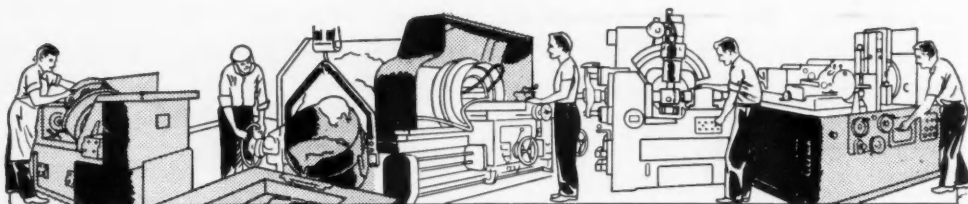
(C)—Speculative.

put of a variety of guided missiles and rockets in the coming year or eighteen months. Washington Administration officials appear to be adhering to the program of completing an enlargement of the Air Force to a total of 137 wings by the end of the new fiscal year beginning July 1. The number of planes allocated to the Navy and to the Marine Corps probably will expand, especially as the new Naval carrier under construction is put into commission. The Navy is scheduled to continue its program of modernizing air power used in conjunction with its 17 carrier air groups and its 31 antisubmarine squadrons.

The Industry Sees Less Threat to Profit Margins Through Renegotiation

In the modernization scheme the number of mili-

tary planes produced this year is scheduled to decline slightly to a level just under 8,000, but shipments of nuclear weapons, electronic devices used by the services and helicopters are destined to rise, indicating that the dollar volume of deliveries by aircraft manufacturers may not vary greatly this year from last year's total. Projections indicate that the industry may turn out products having a value of \$8 billion in 1956, a decrease of perhaps 5 per cent from 1955. It is important to remember, however, in evaluating prospects for individual companies that there are wide variations in trends of orders. Some companies are experiencing sharp cutbacks this year, for example, as contracts on certain types of planes are being completed. Costly experimental work may be proceeding on new models, for which orders have not yet been received in significant



Comprehensive Statistics Comparing the Position of Leading Aircraft Companies

Figures are in millions, except here otherwise stated	Aircrafts					
	Boeing Airplane	Douglas Aircraft	General Dynamics	Lockheed Aircraft	North American Aviation	United Aircraft
CAPITALIZATION:						
Long Term Debt (Stated Value)			\$ 50.7	\$ 29.9		\$ 24.2
Preferred Stocks (Stated Value)						\$ 48.6
Number of Common Shares Outstanding (000)	3,258	3,689	5,011	2,830	3,435	4,870
TOTAL CAPITALIZATION	\$ 60.9	\$ 30.7	\$ 64.5	\$ 32.8	\$ 3.4	\$ 48.6
Total Surplus	\$ 60.5	\$103.5	\$105.5	\$ 94.9	\$ 91.2	\$117.5
INCOME ACCOUNT: For Fiscal Year Ended						
Net Sales	12/31/55 \$853.8	11/30/55 \$867.5	12/31/55 \$687.2	12/25/55 \$673.5	9/30/55 \$816.6	12/31/55 \$697.9
Deprec., Depletion, Amort., etc.	\$ 4.9	\$ 6.5	\$ 6.3	\$ 5.7	\$ 5.1	\$ 16.9
Income Taxes	\$ 32.2	\$ 30.2	\$ 23.0	\$ 18.1	\$ 35.6	\$ 35.6
Interest Charges, etc.		\$.02	\$ 1.8	\$ 1.4	\$.7	\$.05
Balance for Common	\$ 30.3	\$ 28.2	\$ 21.2	\$ 17.3	\$ 32.3	\$ 28.9
Operating Margin	7.2%	6.7%	9.0%	5.1%	8.1%	10.9%
Net Profit Margin	3.5%	3.2%	3.0%	2.5%	3.9%	4.4%
Percent Earned on Invested Capital	25.0%	21.0%	17.8%	17.7%	34.2%	18.7%
Earned Per Common Share (*)	\$ 9.33	\$ 7.65	\$ 4.23	\$ 6.12	\$ 9.42	\$ 6.14
BALANCE SHEET: Fiscal Year Ended						
Cash and Marketable Securities	12/31/55 \$ 26.6	11/30/55 \$ 81.6	12/31/55 \$ 43.3	12/25/55 \$ 64.7	9/30/55 \$ 27.2	12/31/55 \$ 39.9
Inventories, Net	\$ 62.4 ¹	\$136.4 ²	\$158.1 ³	\$107.7	\$141.6	\$104.9
Receivables, Net	\$ 21.2	\$ 16.4	\$ 45.7	\$ 68.8	\$ 59.9	\$ 53.0
Current Assets	\$231.3	\$234.5	\$249.5	\$250.0	\$237.1	\$197.9
Current Liabilities	\$134.6	\$151.0	\$124.2	\$165.0	\$166.3	\$109.2
Working Capital	\$ 96.7	\$ 83.5	\$125.3	\$ 85.0	\$ 70.8	\$ 88.7
Fixed Assets, Net	\$ 24.7	\$ 39.2	\$ 39.0	\$ 40.2	\$ 23.8	\$ 75.1
Total Assets	\$256.0	\$285.3	\$294.8	\$299.0	\$261.0	\$279.3
Cash Assets Per Share	\$ 8.18	\$ 22.12	\$ 8.64	\$ 22.88	\$ 7.92	\$ 8.20
Current Ratio (C. A. to C. L.)	1.7	1.5	2.0	1.5	1.4	1.8
Inventories as Percent of Sales				16.0%	17.3%	15.0%
Inventories as Percent of Current Assets				43.1%	59.7%	53.0%

(*)—Data on dividend, current price of stock and yields in supplementary table on preceding page.

1—Including deliveries under contract and cost fixed fee contracts.

2—Including cost-fixed fee contracts.

3—Including unreimbursed expend.

volume.

In addition to model changes, some manufacturers have been adversely affected by labor disputes as well as by policy changes arising from Congressional inquiries. Probes conducted by Senate and House committees aimed at focusing attention on large profits in the industry apparently failed to disclose any need for remedial legislation. Investigations directed attention to the comparatively modest profit margins obtained by aircraft makers on actual sales, although critics found fault with earnings on invested capital, which in some instances ranged well above average for general industry.

Washington hearings also brought out the fact that the country has no definitive formula for measuring military profits to determine whether any could be called excessive. Accepted policies appar-

ently are based on understandings of an individual corporation's essentiality to the defense program, degree of efficiency obtained in fulfillment of contracts and various phases of work performed. In some cases the amount of private capital utilized seemingly is taken into account along with estimates of risks assumed in working on military contracts. The Renegotiation Board has been reasonable in its findings for the most part, according to corporate executives, but investigations are lagging, and not all companies have been cleared for year through 1952.

Industry observers feel less disturbed over the threat to profit margins through renegotiation procedure than in years past, however, for precedents established in recent years have enabled manufacturers to obtain good (Please turn to page 316)

United
Aircraft

4.2
70
8.6
7.5
31/55
7.9
6.9
5.6
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8.9
0.9%
4.4%
8.7%
6.14

31/55
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Varying Outlook For Airlines Converting to Jets

By WARNER T. WILSON

Growing pains have proved troublesome for the air transport industry since its formation and are taken for granted in appraising prospects for companies engaged in handling passenger traffic over land and sea. Problems connected with the industry's current expansion are more than usually complex and pose unfamiliar risks for investors. Recognition of strange conditions is reflected in a generally cautious attitude toward stocks which at times have soared on the wings of imagination. Representative issues have dipped noticeably from last year's peaks despite promise of continued good business.

The Transition from Props to Jets

Hesitancy in enthusing over longer term growth is based chiefly on concern lest heavy expenditures necessitated by a transition from conventional piston-propelled planes to jet liners may restrict earnings for several years and prevent more than nominal dividend payments. Investors apparently are wary over possible flying hazards in the forthcoming adjustment that might have a serious effect on travel. It is evident that unless air transport companies can maintain capacity at approximately two-

thirds of facilities in service, operating losses could mount rapidly.

Aside from uncertainties involved in replacement of propeller driven craft with modern jet equipment, the outlook is promising for steady expansion. Traffic increased about 17 per cent last year and seems likely to grow by at least that amount this year. In fact, projections of traffic gains on the order of 18 per cent are regarded as conservative. Reported earnings should prove quite satisfactory and net profit after depreciation promises to improve at a better rate than in 1955. Cash earnings have climbed rapidly in reflecting heavy depreciation charges based on an estimated short life of equipment.

Depreciation charges for major companies have ranged upward from 7 to 14 per cent of gross revenues in recent years. Industry experts consider such charges normal considering the prospect of a gradual change shortly to modern flying craft. This procedure accordingly builds up finances not reported as earnings that will be available for purchase of new planes. For some companies profits have been enlarged through capital gains on obsolete planes sold to smaller lines or to others for non-passenger use.

Statistical Data on Leading Airline Companies

	Earnings Per Share			Dividends Per Share			Recent Price	Div. Yield†	Price Range 1955-1956
	1953	1954	1955	1953	1954	1955			
American Airlines	\$1.86	\$1.51	\$2.32	\$.50	\$.60	\$.80	23	3.4%	29½- 20½
Braniff Airways	.01	2.81	.91	—	.50	.60	12½	4.8	18¾- 12¼
Capital Airlines	2.10	2.10	4.55	—	1	1	35	—	42¼- 22¾
Eastern Air Lines	3.20	2.88	3.73	.50	.50	1.00	51	1.9	58 - 35¼
National Airlines	3.99	1.45	3.01	.55	.60	.80	26	3.0	27¾- 20¼
Northwest Airlines	1.84	2.38	2.15	—	—	.60	17	3.5	26¾- 16¼
Pan Amer. World Airways	1.77	1.71	1.66	.65	.80	.80	18	4.4	22 - 16½
Trans World Airlines	1.52	3.10	1.62	2	—	—	22	—	35½- 21¾
United Air Lines	3.28	3.52	3.36	1.50	1.50	1.50	40	3.7	49½- 34¼
Western Air Lines	1.66	2.04	2.67	.60	.60	.90	20	4.5	25¾- 16¾

†—Based on 1955 dividends.

1—Paid 5% stock.

2—Paid 10% stock.

American Airlines: Further modest earnings improvement indicated for this year along with betterment in financial position in preparation for vast expenditures on jet transports in next few years. (B)

Braniff Airways: Prospect for enlargement of routes and increase in traffic regarded as reassuring, encouraging management to place extensive orders for new equipment. Dividend policy conservative. (C)

Capital Airlines: Better showing from operations anticipated this year, but profit on sale of equipment may be reduced. Heavy depreciation charges on big fleet of British craft should aid cash flow. (C)

Eastern Air Lines: Likelihood of another good winter season promises to sustain earnings despite some indicated decline in capital gains on outmoded equipment. Wide dividend coverage for \$1 rate. (B)

National Airlines: Steady progress in developing resort travel contributing to growth. Recommendation for increased competition between North Atlantic and Florida poses problem for coming year. (B)

Northwest Airlines: Handicap of winter weather restrains progress. Better domestic routes needed to bolster revenues. Growth potentials in Pacific Northwest and in Canada reassuring for future. (C)

Pan American World Airways: Encouraging progress being made in eliminating dependence on subsidies, suggesting bright promise in international travel. Outlook favorable for increase in dividend. (B)

Trans World Airlines: Adverse effects of winter weather imposed serious handicap, but additional equipment now available and improvement in overseas business should bolster revenues this summer. (B)

United Air Lines: Further growth anticipated for this transcontinental carrier this year with benefit of new equipment. Financial strengthens in anticipation of further enlargement of modern transports. (B)

Western Air Lines: Protracted strike, necessitating employment of inexperienced personnel, imposed serious hardship on management of this small carrier. Logical candidate for absorption by another line. (C)

RATINGS: (B)—Good Grade Speculative Issue.

(C)—Speculative.

Assuming that jet powered planes can be put into passenger service without mishap and that accidents are no more frequent than usual, it would seem safe to conjecture that travel would increase at a steady pace. Gains of 10 to 12 per cent annually over the next seven or eight years may be anticipated, pointing to a potential market of perhaps 75 per cent greater than at present by the time the airlines have completed their transition to jet equipment. If the passenger load factor can be maintained at last year's figure of 63.9 per cent or bettered, principal transport concerns likely could prosper to a greater extent than at present.

Traffic Gains in an Expanding Air Age

Presumably within another decade the current depreciation rates could be lowered to provide better earning power. If not, then managements well might feel warranted in disbursing as dividends a higher proportion of earnings.

The outlook for traffic gains should be enhanced over the years by growing awareness of the "air age" among younger generations. Resistance to travel in the air is most evident among elderly persons unaccustomed to aircraft.

The uptrend is clearly shown by successive yearly gains in commercial air travel. Last year, United States scheduled airlines achieved a new high in passenger transportation, carrying 41.3 million passengers 25.1 billion passenger miles, which was also a new peak. The gain of just under 18 per cent in revenue passenger miles was surpassed by revenue ton miles which increased 20 per cent, bringing total

operating revenues of the domestic trunklines well in excess of \$1 billion for the first time. Passenger revenues alone increased more than 16 per cent and made up almost 97 per cent of the total revenues. It is interesting to note, in this connection, that in the course of last year coach traffic in terms of revenue passenger miles gained 25.2 per cent and first class traffic increased 14.5 per cent.

New records are also being set by the international American-Flag airlines. In the 12 months ended last June, these carriers recorded an increase of approximately 24 per cent in the number of passengers leaving the country and a gain of 21.2 per cent in incoming passenger volume. For the same period, foreign-flag airlines registered an increase of 15.9 per cent in passengers leaving our shores and a gain of 8.9 per cent in passengers arriving from overseas. In the 12 months, to the end of June, a total of almost 1.2 million passengers used the international airlines to reach the United States from various points of departure overseas. Of this number, American-Flag airlines transported 809,000, while 368,547 came via the foreign-flag air carrier. In the same period, 1,028,264 people departed these shores via air. American-flag airlines carried 698,523 of this number with the balance of 329,741 leaving in foreign-flag equipment. During the 12 months, coach or tourist-class traffic made consistent gains, eventually outnumbering "red carpet" traffic by about two to one.

Recent criticism at a Congressional hearing of authorities having jurisdiction over airlines may have contributed toward a skeptical attitude on the part of investors. The Comptroller General found

Comprehensive Statistics Comparing the Position of Leading Airline Companies

Figures are in millions, except where otherwise stated	Airlines					
	American Airlines	Eastern Air Lines	National Airlines	Pan-Am. World Airways	Trans World Airlines	United Aircraft
CAPITALIZATION:						
Long Term Debt (Stated Value)	\$ 30.0	\$ 50.0	\$ 8.3	\$ 53.2	\$ 35.0	\$ 37.0
Preferred Stocks (Stated Value)	\$ 21.9					
Number of Common Shares Outstanding (000)	7,583	2,504	1,022	6,137	3,336	3,206
TOTAL CAPITALIZATION	\$ 59.5	\$ 53.1	\$ 9.4	\$ 59.3	\$ 51.6	\$ 69.0
Total Surplus	\$ 87.3	\$ 67.3	\$ 19.4	\$108.0	\$ 55.9	\$ 69.0
INCOME ACCOUNT: For Fiscal Year Ended						
	12/31/55	12/31/55	6/30/55	12/31/55	12/31/55	12/31/55
Total Oper. Revenues	\$260.7	\$198.6	\$ 48.6	\$238.0	\$217.4	\$235.5
Deprec., Depletion, Amort., etc.	\$ 18.5	\$ 26.1	\$ 4.1	\$ 18.6	\$ 20.2	\$ 21.0
Income Taxes	\$ 21.7	\$ 18.5	\$ 3.2	\$ 7.2	\$ 5.9	\$ 12.7
Interest Charges, etc.		\$ 1.2	\$.3	\$ 1.6	\$ 1.2	\$ 1.6
Balance for Common	\$ 17.5	\$ 13.9	\$ 3.0	\$ 10.1	\$ 5.4	\$ 10.7
Operating Margin	15.0%	13.3%	13.5%	5.3%	5.3%	10.5%
Net Profit Margin	7.1%	6.7%	6.3%	4.2%	2.4%	4.5%
Percent Earned on Invested Capital	15.9%	18.9%	15.0%	8.8%	7.4%	11.1%
Earned Per Common Share (*)	\$ 2.32	\$ 5.32	\$ 3.01	\$ 1.66	\$ 1.62	\$ 3.36
BALANCE SHEET: Fiscal Year Ended						
	12/31/55	12/31/55	6/30/55	12/31/55	12/31/55	12/31/55
Cash and Marketable Securities	\$ 78.8	\$ 85.2	\$ 9.4	\$ 40.1	\$ 20.2	\$ 36.6
Inventories, Net	\$ 1.2	\$ 1.1	\$.5	\$ 4.8	\$ 2.0	\$ 2.7
Receivables, Net	\$ 35.1	\$ 14.9	\$ 4.2	\$ 38.5	\$ 15.8	\$ 27.0
Current Assets	\$115.9	\$101.3	\$ 14.3	\$ 86.0	\$ 40.7	\$ 67.6
Current Liabilities	\$ 59.7	\$ 46.8	\$ 9.6	\$ 62.2	\$ 32.8	\$ 55.4
Working Capital	\$ 56.2	\$ 54.5	\$ 4.7	\$ 23.8	\$ 7.9	\$ 12.2
Fixed Assets, Net	\$ 14.7	\$ 68.4	\$ 25.0	\$113.2	\$103.5	\$130.1
Total Assets	\$212.1	\$173.7	\$ 40.2	\$237.4	\$146.9	\$200.0
Cash Assets Per Share	\$ 10.39	\$ 34.02	\$ 9.20	\$ 6.53	\$ 6.07	\$ 11.44
Current Ratio (C. A. to C. L.)	\$ 1.9	\$ 2.2	\$ 1.4	\$ 1.4	\$ 1.2	\$ 1.2

(*)—Data on dividend, current price of stock and yields in supplementary table on preceding page.

fault with many practices attributed to the Civil Aeronautics Board, suggesting in several ways that the airlines had received benefits from higher fares than rightfully should have been charged. As a matter of fact, airline fares have not been raised for years and have averaged lower from year to year by reason of wider use of air coach facilities and "family" rates on certain weekdays.

These bargain rates are undoubtedly attracting more travelers via air. Corroboration of this is had in the steadily increasing passenger traffic volume for the domestic and international scheduled airlines. Since the end of World War II, the American public has increased its spending at an annual rate of approximately 18 per cent. Since 1933, revenue passenger miles has recorded the astounding gain of almost 10,000 per cent. Meanwhile, the average air fare, despite increased wage and other costs, has remained unchanged since 1938.

Industry officials have contended that fares should be increased to compensate for recurrent wage concessions to flight personnel and ground crews, but competition has served as a restraining force. Now that passenger and pullman fares have been raised by the railroads agitation may be renewed for boosts on airlines. If not, the air transport industry may attract more passengers, since on long hauls the plane now can offer economy as well as speed in competition with the overland carriers.

In viewing prospects for the air transport industry, something should be said about competition from nonscheduled carriers, which have been exerting greater pressure for business, as well as about possibilities for enlargement of freight traffic. Revenues from air express operations have grown to represent a fairly important part of gross income, although it is recognized that such business scarcely can be expected to contribute a significant portion of income. Efforts on the part of nonscheduled carriers to obtain a larger share of overseas traffic have called attention to the steady gains on the part of independent operators. Thus far, however, the non-certificated lines have not proved serious contenders in the travel market and may become less so in the jet age.

Another factor deserving a brief comment is the virtual disappearance of subsidies. For the most part mail is carried by airlines at established rates as prescribed by the Civil Aeronautics Board and as required by the Post Office. Only on some overseas routes are subsidies now made available to encourage American transport companies to operate. As a matter of fact, revenues from handling mail have become important for several of the transcontinental airlines. The virtual disappearance of this sort of support that invited criticism in the past testifies to approaching maturity of the air transport industry.

—END

Increasing Competition in Soaps and Detergents

By RICHARD COLSTON

The ancient and formerly conservative soap business has turned into a streamlined chemical-based industry more dramatically than is perhaps fully recognized by the average investor.

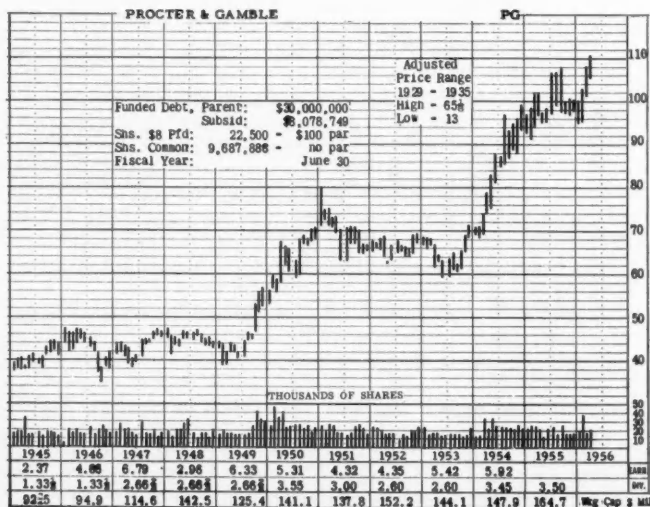
Soap, of course, was originally based on primeval household skills, and like cooking, soap-making was done at home by cooking fats with natural alkalis usually obtained from wood ashes. This was still basically the method used when the Colgate-Palmolive Co. started its business career 150 years ago.

Because the soap firms, until comparatively recent years, were major consumers of natural fats and oils, this meant that their inventories entailed all the risks inherent in the wide market fluctuations prevalent in the commodity business. The big soap firms were the largest consumers of tallow, coconut oil and other natural oils. This meant that in the old days they had to stock up for six months to a year ahead, often buying the lion's share of the crop.

A severe market price decline could entail drastic losses and often did, so to guard against this inventory reserves running into many million dollars had to be set up. Sometimes these reserves were needed and sometimes not—so the earnings records of the firms were frequently distorted. This position of the soap industry in this era was somewhat analogous to that of the silk hosiery industry in the days before nylon, when Japanese manipulation of silk prices could make or break a hosiery firm. Nylon, a synthetic chemical product with a stable price level, put an end to all this.

Chemicals Alter Situation

It is now history that the advent of chemical-based synthetic detergents has changed the whole picture in the soap industry as nylon has changed the hosiery picture. Inventory price fluctuations have become a minor matter because chemical products do not fluctuate widely in price and when price changes occur customers are usually given ample warning.

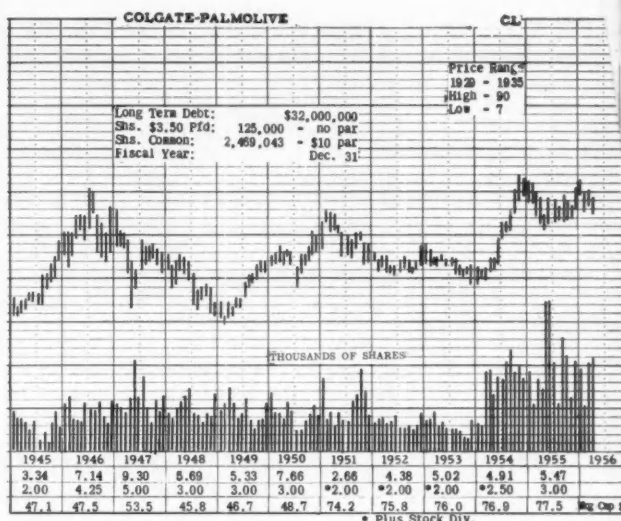


But it is possible that investors have not yet fully caught on to the completeness and the full significance of this change, a change that is still progressing. It means, in the first place, that soap-company earnings have become more stable and can trend upward as sales increase without violent interruptions from outside influences.

It also means that the soap firms are rapidly becoming a segment of the chemical industry. Certainly the business can be considered, in the parlance of chemical men, a process industry. Of course, soap firms are some distance from being entitled to be placed in the same sort of "growth category" that halos the major chemical firms. But signs are growing that the big soap firms are becoming more chemically-minded and are moving steadily and aggressively into chemical research.

Spending for Labs

This is primarily with the idea of learning how to make new chemical raw materials when they come along and to keep their products abreast of the fast-changing times. In the past, failure to keep up with chemical developments (Please turn to page 316)



Comparative Data—Colgate-Palmolive Co. and Procter & Gamble Co.

	Colgate-Palmolive December 31, 1945	Procter & Gamble June 30, 1946	Colgate-Palmolive December 31, 1955	Procter & Gamble June 30, 1955	Colgate-Palmolive December 31, 1955	Procter & Gamble June 30, 1955
ASSETS						
Cash and Marketable Securities	\$ 29,432	\$ 54,482	\$ 43,983	\$ 62,870	+\$ 14,551	+\$ 8,388
Receivables, Net	7,056	12,981	19,028	39,370	+ 11,972	+ 26,389
Inventories	17,353	59,761	36,219	142,250	+ 18,866	+ 82,489
TOTAL CURRENT ASSETS	53,841	127,224	99,230	244,490	+ 45,389	+ 117,266
Net Property	14,401	70,368	67,284	245,568	+ 52,883	+ 175,200
Investments	7,779		14,565		+ 6,786	
Other Assets	382	4,734	2,323	15,988	+ 1,941	+ 11,254
TOTAL ASSETS	\$ 76,403	\$202,326	\$183,402	\$506,046	+\$106,999	+\$303,720
LIABILITIES						
Current Debt			\$ 1,000	\$ 5,581	+\$ 1,000	+\$ 5,581
Accounts Payable & Accr.	\$ 3,056	\$ 13,207	9,856	61,820	+ 6,800	+ 48,613
Accruals	3,599		10,712		+ 7,113	
Tax Reserves	071	6,388	083	12,331	+ 012	+ 5,943
TOTAL CURRENT LIABILITIES	6,726	19,595	21,651	79,732	+ 14,925	+ 60,137
Other Liabilities	5,789				— 5,789	
Reserves	3,595	3,812	3,089	6,737	— 506	+ 2,925
Long Term Debt			32,000	38,079	+ 32,000	+ 38,079
Preferred Stock	12,500	2,250	12,500	2,250		
Common Stock	24,535	25,640	31,001	25,787	+ 6,466	+ 147
Surplus	23,258	151,029	83,161	353,461	+ 59,903	+ 202,432
TOTAL LIABILITIES	\$ 76,403	\$202,326	\$183,402	\$506,046	+\$106,999	+\$303,720
WORKING CAPITAL	\$ 47,115	\$107,629	\$ 77,579	\$164,758	+\$ 30,464	+\$ 57,129
CURRENT RATIO	8.0	6.7	4.7	3.1	— 3.3	— 3.6

Earnings Per Share

	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955
Colgate-Palmolive Co.	\$3.34	\$7.14	\$9.30	\$3.56	\$5.33	\$7.66	\$2.79	\$4.38	\$5.02	\$4.91	\$5.47
Procter & Gamble Co.	1.96	2.36	4.86	6.78	2.96	6.34	5.31	4.32	4.35	5.42	5.92 ¹

¹—Fiscal year ended June 30, 1955.



New Management Revitalizing Montgomery Ward & Co.

By CHARLES H. WENTWORTH

In his valediction as a board member of Montgomery Ward, Louis E. Wolfson said that the new 1956 merchandise catalog of the company "which only last year could easily have been mistaken for a Victorian publication, has been so improved that the forthcoming issue will be almost unidentifiable with last year's edition."

To the average listener to this farewell address, or to those who read it later on, this may not have been a highlight of his remarks part of which were extolling the new management's accomplishments and its plans for the future. Of greater interest to many listeners or readers, they being practical men and women, were his comments on sales, earnings, finances, and policies. Yet, the term "Victorian" stands out with considerable prominence because it is descriptive of the manner in which the company was managed by the old regime, headed and imperiously dominated by Mr. Sewell Avery.

It is essential, if one is to understand the reason for Montgomery Ward's postwar stagnation, to be familiar with Mr. Avery's policies and to know something of the man himself. Being in possession of this information makes it possible to gauge to some extent, the future of the company under the new management, headed by Chairman John Barr, which has set out to restore Ward to its former position of leadership in the chain merchandise and mail order business.

In the first full year of peace after World War II, net sales of Montgomery Ward totaled slightly in excess of \$974 million. That was 1946. Net earnings, after taxes, in the year reached \$52.2 million, and equaled \$7.83 a share for the common stock. Two years later, 1948, sales were at an all-time peak

of \$1,212 million and net earnings climbed to \$68.2 million, or \$10.28 a share. From this peak, net sales in subsequent years began to decline, although the down trend was interrupted in fiscal 1951 with sales of \$1,170 millions. This represented a 7.9% gain over the previous year, but Sewell Avery explained it as reflecting the accelerated demand for many lines of merchandise, starting in the early summer, and the higher prices that necessarily accompanied advancing costs of merchandise replacements. Nevertheless, Ward's earnings in that year were \$11.19 a share.



Comparative Balance Sheet Items

	January 31		
	1946	1956	Change
ASSETS	(000 omitted)		
Cash & Marketable Securities	\$ 98,893	\$241,483	+ \$142,590
Receivables, Net	48,599	189,726	+ 141,127
Inventories	137,600	262,625	+ 125,025
Supply Invent. Prepay, etc.		16,076	+ 16,076
TOTAL CURRENT ASSETS	285,092	709,910	+ 424,818
Net Property	39,655	29,333	— 10,322
Other Assets	8,403	1,732	— 6,671
TOTAL ASSETS	\$333,150	\$740,975	+ \$407,825
LIABILITIES			
Accounts Payable	\$ 19,565	\$ 37,144	+ \$ 17,579
Accruals	22,255	25,107	+ 2,852
Tax Reserve	2,664	35,130	+ 32,466
TOTAL CURRENT LIABILITIES	44,484	97,381	+ 52,897
Reserves	19,026		— 19,026
Class 'A' Stock		20,155	+ 20,155
Common Stock		211,231	+ 211,231
Capital Stock	167,125		— 167,125
Surplus	102,515	412,208	+ 309,693
TOTAL LIABILITIES	\$333,150	\$740,975	+ \$407,825
WORKING CAPITAL	\$240,608	\$612,529	+ \$371,921
CURRENT RATIO	6.4	7.3	+ .9

Somewhat reluctantly Sewell Avery, because of then current higher level of sales, the high cost of merchandise, and the difficulty of obtaining deliveries, deemed it necessary to reverse the trend toward lower inventories. For several years he proceeded on his own theory that prosperity couldn't last. Reducing inventories in readiness for the time when the "boom" would end was apparently only one of his objectives. The other seemed to be the amassing of as much cash as possible. In carrying out his policies, merchandise inventories were reduced from \$277.3 million at the end of fiscal 1948 to \$201.3 million as of January 31, 1955. Over the same period, cash and its equivalent in U. S. Government securities, increased from \$51 million to \$327 million. Avery regarded this as a "nest egg" for future growth. As he said, "it is a guarantee

that Wards will not again face the disasters that are part of company history. Wards believes in solvency as the true safeguard for investors."

The Backward Look

On the record, Avery had done a good job, up to a point, from the time in 1930 when he was brought in to take over Wards management. Under his guidance working capital increased from \$79 million in 1932 to \$608 million at the end of fiscal 1955. This was a working capital of \$90 a share which, together with the fact that there was no debt, other than current liabilities, gave assurance that its resources made the common stock one of the soundest investment securities. Dividends on the shares had been paid regularly every year since 1936, the rate being advanced to \$4 a share in fiscal 1954, although dividend coverage had shrunk from peak of \$11.19 per share earnings in peak-1950 to net of \$5.20 a share in fiscal 1955, earnings downtrend more or less paralleling Wards shrinking sales dropping to \$887.3 million in the latter year.

Upon analysis, it would appear that Mr. Avery, remembering 1929 and the aftermath, was looking backward. He had become convinced that it would be foolhardy to go forward, being certain we were facing another depression. It was therefore good sense to husband one's resources to ride out the storm. In fact, it would appear that the accumulation of liquid assets became a fetish with him. Wrong though he might have been, he had the courage to take his stand, awaiting the tolling of the bell signaling the end of high level business activity. A mark of the man, as time wore on, was his increasing inability to work in harmony with associates making up Wards management which resulted in these individuals resigning their positions. Discord at the top undoubtedly seeped down through the entire organization and lowered employee morale. Perhaps his irascibility stemmed from an attack of pneumonia at the age of 76 which must have sapped the strength of this one-time great industrialist.

In the meantime, vigorous alert Sears, Roebuck & Co., steadily forged ahead. In the four years to January 31, 1956, Sears reinvested \$99 million of retained earnings in (Please turn to page 321)

Long Term Operating and Earnings Record

	Net Sales	Operating Income	Operating Margin	Income Taxes	Net Income	Net Profit Margin	Net Per Share	Div. Per Share	Percent Earned on Invested Capital	Price Range
	(Millions)				(Millions)					High Low
1955	\$ 969.9	\$ 73.7	7.6%	\$ 38.2	\$ 35.4	3.6%	\$ 5.23	\$ 4.75	5.5%	107½-73½
1954	887.3	70.3	7.9	35.1	35.2	3.9	5.20	3.50	5.5	80½-56
1953	999.1	80.4	8.0	44.1	41.9	4.1	6.12	3.00	6.6	65½-53½
1952	1,084.5	92.9	8.5	47.6	49.5	4.5	7.41	3.00	7.7	67½-55½
1951	1,106.1	111.2	10.1	59.7	54.3	4.9	8.14	4.00	9.9	75½-64
1950	1,170.4	139.5	11.9	66.9	74.1	6.3	11.19	3.00	14.3	67½-49½
1949	1,084.4	78.3	7.3	31.6	47.7	4.4	7.13	3.00	10.1	59½-47
1948	1,211.9	114.4	9.4	46.3	68.2	5.6	10.28	3.00	15.4	65 -47½
1947	1,158.6	101.5	8.7	43.1	59.0	5.1	8.86	3.00	14.9	64½-49
1946	974.2	88.9	9.1	37.6	42.2	4.3	6.29	2.00	11.8	104¼-57¼
10 Year Average 1946-1955	\$1,064.6	\$ 95.1	8.8%	\$ 43.0	\$ 50.7	4.6%	\$ 7.58	\$ 3.22	10.1%	107½-47

1—To May 3, 1956.



Companies Where Dividend Coverage Is Dwindling

By GEORGE L. MERTON

An apparently unsound increase in the proportion of earnings paid out to shareholders in dividends has occurred in the case of a number of publicly-owned corporations during the last year.

This trend should represent a danger signal to the investors who hold the securities of those companies. Never before has it been more important for a corporation to follow a conservative policy in respect to the payment of dividends. Excessive payments to shareholders, far from representing generosity, are the surest road to the sacrifice of growth and future earning capacity.

In an inflationary period, such as the nation has been going through during the last 20 years, corporation earnings usually are overstated. Depreciation and obsolescence charges allowed by the Bureau of Internal Revenue for tax purposes are grossly

inadequate in most cases, for the rise in costs of replacing plants and equipment has been extraordinarily rapid; it is not unusual for a company to find that replacement of machinery costs three times as much today as it did in 1936. The corporation therefore finds that the money it has set aside in depreciation charges for the renewal of plants built 20 years ago is far less than the amount required for the purchase of new equipment.

The Payout Margin

Most successful and well-financed companies feel that any dividend payout which represents more than 50 to 60% of net profit is excessive and dangerous under present competitive conditions.

Yet instances can be found of less prosperous companies which are paying out 70 or 80% of profits. This unwarranted distribution is often found in the very companies which can least afford to make unconservative payments — the companies which have encountered reverses and which are showing a rapid decline in earnings.

The temptation to buy such stocks because of the high yield which they afford is strong to the inexperienced investor. He does not realize that, too often, the high yield should be regarded as a danger signal. The dividend is sometimes maintained by a company which is going downhill rapidly merely so that insiders can distribute their holdings among unwary investors.

Occasionally, of course, a strong and growing company will maintain a high payout for a year or two. Temporary reverses or special conditions may reduce earnings for a foreseeable period, and the directors may feel that to maintain continuity of dividends is permissible under such circumstances.

The Westinghouse Case

A case in point is Westinghouse Electric Corp. The company admittedly has met many disappointments in recent years, but the chief problem which has affected its earnings during the last year has been the bad labor situation, which culminated in the long strike which recently ended.

In view of the company's good prospects for growth and improved earnings, as well as in view of its excellent cash position, the directors appar-

20 Stocks With Declining Margin of Earnings Over Dividends

	1954		1955		1956		Times 1st Quarter Div. Earned	Price Range 1955-1956	Recent Price	Indicated Div. Yield %
	Earnings Per Share	Div. Per Share	Earnings Per Share	Div. Per Share	1st Quarter Earnings Per Share	1st Quarter Div. Per Share				
Adams-Millis Corp.	\$2.25	\$2.00	\$1.90	\$2.00	n.a.	\$.50	—	34½- 28	28	7.1%
American News .....	.52	1.50	2.02	1.50	\$.43	.40	1.0	38½- 26½	30	5.3
American Safety Razor .....	.52	.50	.36	.25	.17	.10	1.7	9½- 7½	7½	5.3
American Ship Building	5.62	3.00	1.32	3.00	n.a.	1.00	—	75 - 50½	72	4.1
Braniff Airways	2.81	.50	.91	.60	.20	.15	1.3	18½- 12¼	12½	4.8
Central Aguirre Sugar	1.65	1.60	1.21	1.60	n.a.	.35	—	22 - 17	17½	8.0
Continental Motors	1.38	.80	.76	.60	.07 ¹	.05	1.4	14½- 7	7	2.8
Cream of Wheat	2.08	1.85	1.88	1.85	.54	.40	1.3	33 - 28¼	29	6.3
Elliott Co.	2.67	1.60	1.37	1.00	.78	.25	3.1	31½- 20¼	24	4.1
General Baking	1.00	.60	.92	.60	.11	.15	d	11½- 9	9	6.6
Greyhound	1.35	1.00	1.18	1.00	d	.25	d	17½- 13¾	17	5.8
Hazel Atlas Glass	1.67	1.20	1.56	1.20	.19	.30	d	24½- 19¾	20	6.0
International Minerals & Chem.	2.44	1.60	2.55	1.60	1.06	.40	2.6	41½- 28½	30	5.3
Lorillard (P.) Co.	1.98	2.30	2.07	1.35	.33	.30	1.1	25½- 19	19	6.3
McLellan Stores	2.13	2.00	2.02	1.80	n.a.	.40	—	29½- 21½	21½	7.4 ⁴
Oliver Corp.	1.61	.60	2.13	.80	d .36 ²	.15	d	18½- 11¾	12	5.8
Philco Corp.	1.70	1.60	2.13	1.60	.38	.40	d	43½- 27	28	5.7
Spencer-Kellogg & Sons	2.15	1.20	.27	1.10	.13 ³	.20	d	24½- 16½	20	4.0
Underwood Corp.	1.66	1.25	2.01	1.50	.20	.50	d	44 - 33	40	5.0
Westinghouse Electric	4.78	2.50	2.46	2.00	d 1.14	.50	d	83¼- 53¼	56	3.5

^d—Deficit.

n.a.—Not available.

¹—Quarter ended 1/31/56.

²—4 months ended 2/29/56.

³—12 weeks ended 2/11/56.

⁴—Plus stock.

ently believed they were justified in continuing quarterly payments of 50 cents a share, in spite of the heavy losses caused by the strike.

In general, however, a company is well advised today to follow a cautious dividend policy. Here are some of the reasons why conservation of cash and a relatively low payout of earnings is wise:

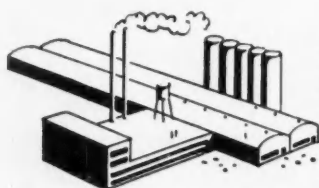
1. A company should plan to grow, if it wants to qualify as a desirable investment. Retained cash is necessary for growth — for new plants or warehouses, for larger inventories or for an increase in outstanding accounts.

2. The steady rise in labor costs makes it important for a company to mechanize its operations wherever it is possible to do so. Unless it pursues an aggressive mechanization program, it may soon find that its production costs are far above its competitors' costs. As a result, it quickly becomes unable to price its products at its competitors' level, without losing money.

3. Cash can enable a company to diversify its business in new growth lines. Numerous examples can be found of companies which have greatly improved their future prospects by buying up new units in electronics, household specialties, etc., where the market was growing rapidly.

4. Management, during a boom period such as the present, should set aside reserves to tide the company through any general recession which may lie ahead.

5. Unforeseen requirements for cash have arisen with increasing frequency in recent years. For example, union demands for pensions have created a grave problem with regard to the funding of employees' past service credits. The rich companies can set aside reserves to take care of these contingencies and have invested these reserves profitably in equities; companies poorly supplied with cash must attempt to meet such costs out of operating income, with an attendant dangerous rise in the break-even point.



Illustrations of excessive dividend payments are not hard to find. Last year, Continental Motors paid out dividends totaling 60 cents a share. This was not a large payout in relation to Continental's earnings from 1952 to 1954, inclusive, which ranged downward from \$1.86 a share in the former year to \$1.38 a share in the latter year. But in the light of its profit for the year ended October 31 last, of only 76 cents a share, Continental's payout far exceeded the accepted standard. It represented 75% of the net profit.

The excessive dividends paid by Continental last year should have given shareholders a feeling that all was not well, even if the declining trend of earnings did not communicate such fears to them. In the first quarter of 1956, Continental's earnings dropped to only 7 cents a share, against 24 cents in the same quarter of 1955.

Trimming the Dividend

At the same time, the directors found further postponement of dividend reduction inadvisable. A payment of only 5 cents a share was ordered in March, payable in April.

In Continental Motors' case, there was nothing in the picture which would explain last year's payments, unless the directors just did not want to cut the distribution as rapidly as the situation warranted. The company, as a maker of engines for the farm-equipment and aviation industries, does not enjoy the security of an integrated producer. Its prices must be sharply competitive to enable it to obtain contracts from the makers of farm machinery and small personal planes. The defense business of the company — primarily tank engines — is languishing, and a new defense emergency would be needed to produce a revival in this department. Hence, Continental could better have used the money which it distributed last year in excessive dividends in an effort to diversify its product line.

Philco Not Earning It

Philco Corp. is another instance of unwarranted optimism on the part of the directors. The company is engaged in a slugging, competitive type of business — television, radio and appliances. While its defense prospects in electronics appear to be improving, the commercial areas are becoming increasingly competitive. It remains to be seen how much the advent of color television on a large scale next year will contribute to a revival of earning capacity.

Philco earned in the first quarter of this year only 38 cents, against 62 cents in the corresponding period of last year. Last year's payout was over 75% of net income, excluding extraordinary or non-recurring profits. The first quarter net was actually less than the 40-cent quarterly dividend.

General Baking Decline

General Baking has shown a steady decline in earnings during recent years. The company's quarterly dividend of 15 cents was not even covered by

the net of 11 cents a share shown for the first quarter of 1956. In the first quarter of last year, a similar 11 cents a share was earned, and for all of 1955, net profit was only 92 cents — hardly enough to warrant payments of 60 cents a share. General Baking's business has become increasingly competitive in recent years, with large food chains entering the baking field. Diversification would seem to be called for here to bolster declining profit margins, and such diversification, if approved, would require the investment of the money that is now going into dividend payments.

A.S.R. Problems

American Safety Razor's payout seems a little large, in view of last year's net of only 36 cents a share, which compared with 52 cents in 1954. But most of last year's drop in net was caused by non-recurring costs arising from moving the plant from New York to Virginia. In the first quarter of 1956, net was 17 cents a share, against a deficit of 43 cents a share in the same period of 1955. Present earnings appear to be covering the dividend of payments currently ordered. A payment of 10 cents was made in March.

But in view of the sharp competition in the razor field, with electric shavers commanding a growing share of the entire market, American Safety Razor would be well advised to conserve its cash, so that it will be available for an effort to establish the company in new lines of business. Ronson's feat in winning over 10% of the electric shaver market in a little over a year shows what resourceful management can do, when it is well supplied with funds.

Elliott Co. illustrates something a little different: The company apparently had nothing more than a temporary lapse of earning power last year. As against a deficit of 1 cent a share in the first quarter of last year, its net in the same quarter of 1956 was 78 cents a share. The 25-cent dividend payment now made quarterly does not seem excessive in the light of its current earning capacity.

Underwood Corp., too, provides an example of a company that has been going through a temporary decline in earning capacity. Last year, as well as in 1954 and 1953, earnings were far below the \$5 a share reported for 1952. In the first quarter of this year, too, net of 20 cents a share was well below the 58 cents shown for the same period of last year.

But earnings statements can be grossly misleading, unless the underlying facts are known. Underwood has been charging off large sums for the development of new electronic business machines, which will be brought on the market during the next few years.

The Underwood Decision

The company has a new aggressive management. It is modernizing and centralizing its productive equipment at East Hartford, Conn., which should mean reductions in costs, although such moves result unavoidably in temporary starting-up expenses and other non-recurring charges. Directors last year raised the dividend from 25 cents to 50 cents quarterly, a rather liberal distribution when weighed against recent earnings. The company reported 20 cents a share for the 1956 (*Please turn to page 328*)



THE EDITORS' INVESTMENT CLINIC

Case No. 22

Puts and Calls

The individual who enters the investment community generally confines his activities to the buying and selling of stocks. Quite often, he is mystified by such terms as "put" and "call," never having even informed himself of the meaning of such terms, let alone have resort to these professional methods of operating against the hazards of the stock market.

As a reader of the financial pages, of course, the investor could hardly fail to notice advertisements placed by brokers, usually members of the Put & Call Brokers & Dealers Association. As an example of the kind of ad that is quite common, he might find a dealer offering a call on 100 shares of Bethlehem Steel at 160, good until July 16, for \$475. The stock, at the time the ad appeared, was quoted at 156.

It is not unnatural for the investor to wonder how such an operation would work for him. After all, the \$475 (plus tax) involved is not prohibitive.

He might even have followed the course of the stock in the days immediately following the placement of the ad. This follow-up would have convinced him that a call on Bethlehem, such as offered in the ad, would have been a miscalculation, at least on the basis of the action in the stock to that time down to 151. A put would have been to his advantage, however. Incidentally, Bethlehem is cited for no other reason than to make our point. It could have been any one of a hundred other issues.

Such technical devices as puts and calls are invoked to protect a profit, insure against loss, or a means of speculation on either side of the market. Puts and calls are basically option contracts. These are paid for in advance and provide the holder with the right to buy (in the instance of a "call" contract) or to sell (where a "put" is used) an agreed-upon number of shares, usually a round lot, at a fixed price. This may be the market price at the time the contract is made. The right to exercise the option may be invoked at any time within the life of the contract.

Puts or calls may run 30, 60, 90 days, or even six months. Of course, the time period and the current market price of the stock entailed are major factors in determining the premium the buyer of the option is required to pay.

An imaginary transaction should illustrate how a call option might be used as a protective device. A call option, good for 60 days, on 100 shares of a certain stock, selling at 90, costs our hypothetical operator about \$350. He has decided that at 90 the price of this stock is much too high. Hence, he has gone short of 100 shares. But he has protected himself by the call at 90, for 60 days, for which he paid \$350.

In the event his judgment of the stock has been in grievous error, he can cover his short position by taking down the stock at 90. His saving would be the difference between the cost of the option and the extent of the rise in the stock of which he was short.

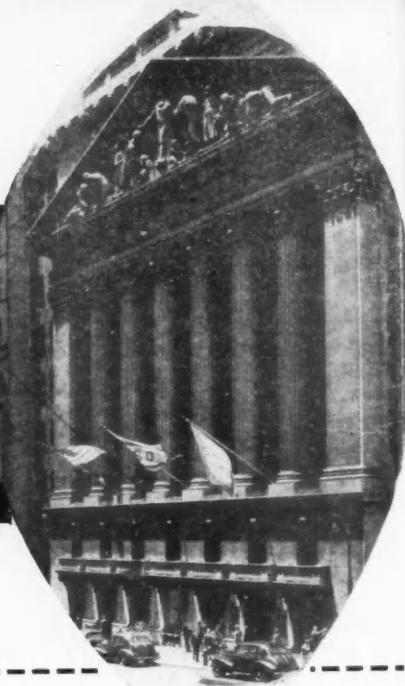
The reverse also should serve to show how this technical device is used. Let us suppose an investor is long of the stock. He has a 20-point profit and wishes to protect that profit, being fearful that at its new high level the issue is highly vulnerable.

Hence he resorts to a put option at 90 for 90 days at a cost of \$350. Through this option he is in possession of the right, regardless of how far the stock should fall in the intervening period, to deliver his stock at 90 to the maker of the put contract. Thus, he has realized his 20-point profit, less the cost of the insurance afforded by the option. On the other hand, should the decline fail to materialize and the stock continue to advance in price, he can then liquidate his holdings at the higher price.

The only cost to the owner of the stock, in that event, would have been the \$350 premium paid to the seller of the put for the protection.

Even more obscure, from the standpoint of the average investor, is the straddle option, which is a combined put and call — two for the same price. The buyer of this sort of contract is given the right to deliver to the maker or call from him, or both, a certain amount of stock in a specified period of time at a stipulated price. The contract provides for the put of 100 shares of stock, or call of an equal number of the shares of the issue, at a price determined in advance, exercisable at any time during the life of the straddle option.

Only if the stock has moved, in either direction, more than the cost of the straddle at the time it is exercised can the holder reap a profit on the transaction.



FOR PROFIT AND INCOME

Selective

At this writing, the "averages" are under pressure; and that has been so for some days, with considerably more individual stocks losing ground than moving up. Thus, the balance for the present at least, has shifted from selective strength to selective weakness. Among the few stock groups currently showing moderate strength or firmness are drugs, machinery, rails, though the latter are absorbing some profit-taking after recent further gains; rail equipments, natural gas, and small-loan issues. Large prior advances are under correction in chemicals, oils, aircraft, aluminum, office equipment, paper and tires. Steels have softened in anticipation of lower third-quarter activity in the industry; coppers on account of reversal of previous upward tendencies in the world price of the metal. Some groups, which had long been soft, are more so now. They include automobiles, baking, farm implements, department stores, mail-order stocks, variety stores and textiles.

Strong Stocks

Bucking the general trend, a minority of stocks has advanced further, or held at or near their recent highs, up to this writing. Whether they might continue to fare so well, given further reaction in over-all stock prices, re-

mains to be seen. They include Addressograph, American Chain, Baltimore & Ohio, Best Foods, Bliss, Pepsi-Cola, Shell Oil, Outboard Marine, Owens-Corning Fiberglas, McGraw-Hill, National Container, National Cash Register, Minnesota Mining & Manufacturing, Merck, Mueller Brass, Bridgeport Brass, Link Belt, Joy Manufacturing, Food Machinery, Royal McBee and Southern Natural Gas.

5% Or More

For conservative investors, there are plenty of good defensive-type income stocks available at yields around 5% or more, including: American Telephone 5%, American Snuff over 5.4%, Corn Products 5.2%, National Biscuit 5.3%, Pacific Lighting 5.1%, Reynolds Tobacco "B" 5.7%, Union Tank Car 5% and Wrigley 5.3%.

Autos

General Motors may be in a sound long-pull buying range in the low 40's, with no need for hurry indicated. Pending the test of market response to poor second and third-quarter earnings, buying levels for Chrysler and Ford remain conjectural. It would not be surprising if they go materially lower.

What Now?

Speculative possibilities in Hertz (the company operates the largest car-truck rental-leasing system) were pointed out here in our March 31 issue at 31½. At this writing the stock is up over 30% to 41, all of it in a recent surge. It remains worth holding. We would not reach for it here... Following a period of consolidation around 50-51, Outboard Marine, long one of our favorites (most recently recommended in

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1956	1955
American Brake Shoe	Quar. Mar. 31	\$1.76	\$.98
American Smelt. & Refining	Quar. Mar. 31	3.56	.80
Cities Service Co.	Quar. Mar. 31	1.80	1.42
Square "D" Co.	Quar. Mar. 31	1.44	.82
Texas Co.	Quar. Mar. 31	2.55	2.04
United States Steel Corp.	Quar. Mar. 31	1.83	1.25
Reeves Bros. Inc.	Quar. Mar. 31	.40	.02
White Motor Co.	Quar. Mar. 31	1.47	1.04
McGraw-Hill Publishing	Quar. Mar. 31	2.09	1.44
Eastern Air Lines	Quar. Mar. 31	1.84	.94

March at 41), has broken out to a new high. Around 55, with current-year earnings likely to be between \$4.50 and \$5 a share, against the prior year's record \$3.68, it has become less cheap but is still priced within reason. It remains a better hold—or buy on dips—than a sale. . . We said the same about Halliburton (repeatedly recommended here at lower levels) in the March 31 issue when it was at 67½. It has since reached a new high of 84¾ and is currently at 79. The advice still stands. . . McGraw-Hill is performing more and more like a split-stock probability. In less than five months, since early this year, it has risen a further 43% to high of 102½ and is now at 100—on top of huge prior rise. The “cream” is no doubt off, but the stock is not yet a sale. . . Recommended earlier this year at 40 and currently at 45, American Steel Foundries seems amply priced or nearly so. It might reach 48-50 on a likely boost in the \$2.40 dividend to \$3, but it is basically a high yield, low price-earnings-ratio stock in a cyclical industry which will progressively work off the abnormally high freight-car order backlog with which it started 1956. Take profits.

Others

Among other early 1956 recommendations here were: U. S. Plywood at 39 and now at 46; Tide-water Oil at 34, now at 45; National Gypsum at 48, now at 60. For Plywood, we suggest continued holding; for Tidewater and Gypsum hold or buy on dips. National Gypsum has one of the most remarkable growth records in the building-materials field, is in a favored division of that field, earnings are gaining strongly, vigorous expansion is continuing. The stock is still fairly, though not cheaply, priced around 10

times likely 1956 per-share profit; and the \$2 dividend (supplemented with 2% stock payments each year since and including 1951) might be subject to some increase later this year.

Soft Drinks

Sales and profits of most soft-drink makers showed moderate year-to-year gains in the first quarter, a seasonally-slow period. Those of Pepsi-Cola rose sharply, continuing the impressive competitive progress this company has been making for some time. Previously stuck for months in the range of roughly 24½-20, the stock recently broke out of it in active trading to a new high, for this bull market, at 25¾. On a \$1 dividend, which might be raised a little later on, it is not cheap on 1956 earnings, which may get to the vicinity of \$2 a share or so, a new peak, against 1955's \$1.60. But, as we have noted before, it reached a somewhat absurd 40½ in 1946 on earnings of only \$1.09 a share; and, what is more to the point, in most past years its highs were around 15 or more times earnings. Barring abnormally cool weather from here to autumn—the period of heaviest soft-drink consumption—we still think the stock has better than a 50-50 chance of working up to 30 or more. In the company's favor, and that of the industry, is strong population growth in the age group of 10 years to 19 years, within which is the heaviest concentration of consumers of soft drinks. Numerical growth in this group for the 10 years 1956-1965 is projected at more than three times the estimated 15% over-all gain in population.

Low-Priced Stocks

Do not expect us to recommend “low-priced” stocks here, if what that means to you is stocks at 1

to 10. Most of the latter are cats and dogs; and issues selling for the price of a so-so lunch are mostly radical speculations, in oil or mining promotional ventures, traded over the counter or on Canadian exchanges. Remember that a \$15 stock, as of mid-1949, is now about a \$45 stock—if it has kept pace with the general market rise. At this stage, we consider stocks at 20 to 35 as low-priced. There are plenty of them, partly due to stock splits in the last year or two. A minority of them merits consideration for speculative buying now, based on earnings prospects rather than “playing the market.” For those who are willing to hold for a reasonable extended period—no “fast action” can be promised—here are a few choices which seem to make sense: American Broadcasting-Paramount at 31; National Distillers at 26; American Airlines at 24; Merck at 30½; Columbia Broadcasting at 25; Canada Dry at 16; American Encaustic Tiling at 17; Beckman Instrument at 28; Chicago Corp. at 26; and Sperry Rand at 26. None is cheap on present earnings. If pinned down to a more limited choice, we would make it among the first four issues cited.

Conservative

Mostly, but not exclusively, in the utility field, there are a fair number of good-grade low-priced stocks, suitable for income accounts but offering potentials for gradual long-pull appreciation. Some examples include: Beneficial Finance at 21¾; California Electric Power at 15; Interstate Power at 14; Long Island Lighting at 23; National Fuel Gas at 19½; Northern States Power at 17; Marine Midland (bank holding company) at 18; Oklahoma Natural Gas at 26; South Carolina Electric & Gas at 19; Toledo Edison at 14½; Southern Company at 21.

Rails

Since early April, with the industrial average in a trading range, rails have provided upside leadership for the first time in some months, taking this average to a series of new bull-market highs. For the bull market to date, however, it remains behind industrials. It has usually caught up—at times a little less or a little more—before or by the culmination. (Please turn to page 322)

DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1956	1955
International Silver	Quar. Mar. 31	\$.68	\$1.50
Loew's Inc.	28 weeks Mar. 15	.36	.64
Zenith Radio	Quar. Mar. 31	3.72	4.21
Ford Motor Co.	Quar. Mar. 31	1.37	1.93
National Tea Co.	12 weeks Mar. 24	.67	.77
Wrigley (Wm. Jr.) Co.	Quar. Mar. 31	1.43	1.52
Anchor Hocking Glass	Quar. Mar. 31	.91	1.11
Climax Molybdenum Co.	Quar. Mar. 31	1.29	1.77
Martin (Glenn L.) Co.	Quar. Mar. 31	.59	.79
Thompson Products	Quar. Mar. 31	.75	1.20

The Business Analyst

WHAT'S AHEAD FOR BUSINESS?

By E. K. A.

In this spring of 1956, there are only three kinds of employers—those who have granted increases, those now in the process of negotiating and those now awaiting demands of the labor unions. Hence, employer and labor have their eyes riveted on the upcoming negotiations in the steel industry, which has served almost invariably as the bellwether of wage scales.

To thousands of companies the outcome of the negotiations in the steel industry means, in addition to being confronted with similar demands from their own unions, a rise in manufacturing costs, since a wage boost for steelworkers is certain to be reflected, and swiftly, in higher prices for that metal.

Demand for steel has been strong throughout the spring, despite the fact that automotive production has been cut back sharply from year-ago levels. Much of the demand has come from customers building inventories; fearful of a protracted strike in steel and the inevitability of higher prices.

There is considerable foundation for this concern. For one thing, the C. I. O. Steelworkers has made it clear in advance of negotiations that it intends to do some tough bargaining with the producers.

Indications are that the settlement in the industry this year will be far more costly than the swift accord reached in 1955. Last year, under a reopening clause in the contract, the union obtained a 15-cent wage rise after a stoppage that lasted only a matter of hours. The wage demand alone, in 1956, probably will exceed the figure of last year. In addition, the union is expected to make a stiff fight to get the producers to assume the full cost of welfare benefits.

Employer and employee now share the cost of these "fringe" benefits. The union also will push for expansion of such benefits as life insurance, sickness benefits and general welfare.

Demands also will encompass time and a half pay for work done on Saturday and double time for Sunday. At present, steelworkers receive straight time for weekends unless the employee already has put in 40 hours during the work week.

Finally, the issue that is likely to stir the greatest acrimony is the so-called guaranteed annual wage. It will be recalled that the principle of company-financed jobless pay was put over last year by Walter Reuther, president of the C. I. O. Auto Workers, in negotiations with the automotive manufacturers.

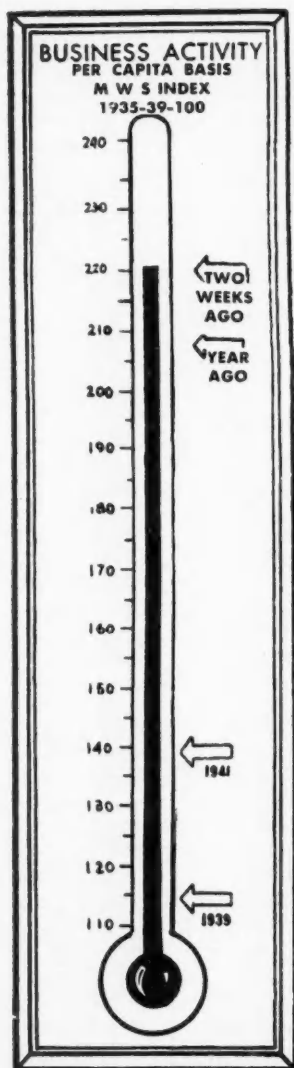
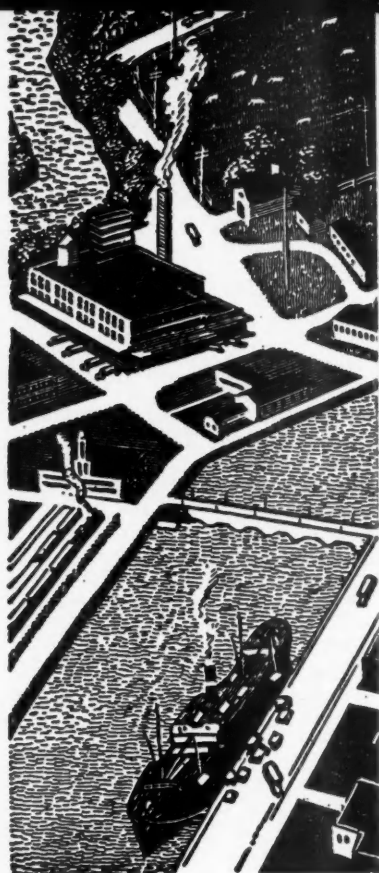
Dave McDonald, leader of the 1,194,000 members of the Steelworkers, is determined to win even more liberal unemployed pay from the steel industry than Reuther got from the auto-makers. McDonald already has established the principle among major can companies, an improvement over the Reuther-won accord in the auto field.

The research department of the C. I. O. Steelworkers has estimated that the cost to the steel industry of the program outlined in the foregoing would be 20 cents to 30 cents hourly per worker. There is a general feeling that this figure is altogether too low. Some steel producers calculate the cost would be about double the union's estimate.

While there was one example in the postwar decade when a major steel company made its own settlement with the union, the pattern has been for United States Steel Corp. to work out a settlement with the labor leaders that has been accepted by the balance of the industry. While the C. I. O. Steelworkers does meet with other companies, such get-togethers are productive of little.

All the signs point to the meeting of U. S. Steel and the union fighting it out, with the results accepted by the balance of the industry and spilling over into a broad segment of the economy.

Meanwhile, the steel industry is operating full tilt, although soft spots have developed in the field of consumer durables, notably automotive and appliances. Declining sales in some areas, however, has not halted substantial purchases by manufacturers determined to beat a rise or metal shortage.



The Business Analyst

HIGHLIGHTS

MONEY & CREDIT—The recently ailing bond markets have continued their steady recovery during the first half of May. Investors and underwriters who were ready to go into mourning less than a month ago, have fully regained their confidence and are now bidding strongly for both new and seasoned fixed income securities.

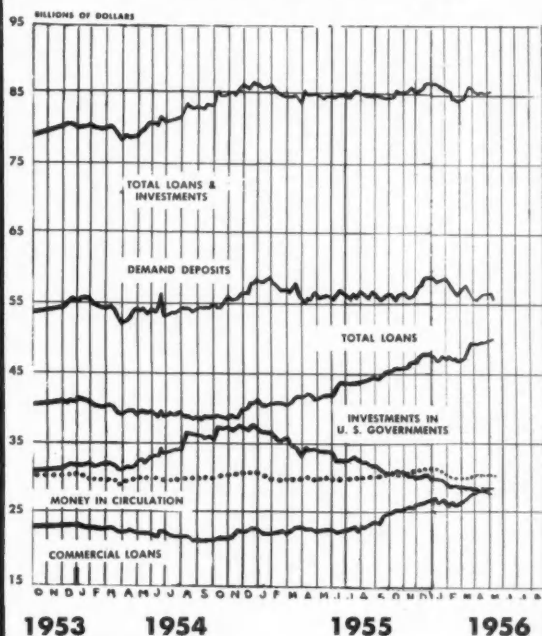
All sectors of the market have been enlivened by the improvement in sentiment. Treasury obligations have risen on a broad front with the long term issues adding a point and more in the two weeks ending May 14. Highest grade corporate bonds gained similar amounts while tax exempts were especially buoyant.

The huge General Electric offering of \$300 million in debentures, which had been regarded with foreboding by the financial community a few weeks ago, proved to be a big success when it was sold to the public on May 15. Priced to yield 2.47%, the underwriters were flooded with buying orders which well exceeded the available supply. The syndicate was able to close the books in short order and the issue went to a $\frac{3}{4}$ point premium in early when-issued trading. Betterment in the municipal field from last month's lows, was vigorous, as exemplified by the Ohio Thoroughfare 3s of 1967, which were offered on April 25 at 100 $\frac{1}{2}$, by the sole bidder for the issue. Improvement since then has been continuous and by mid-May the bond was trading at 105, indicating the extent of revived interest in tax exempts that has taken place in a few weeks.

Several reasons for the improved interest in fixed income securities have become manifest in recent weeks. Of primary importance are growing signs that business activity may be vulnerable in coming months. There is increased realization that inventories in some cases are becoming unbalanced, with steel being singled out as in danger of over-supply if there is no interference with output. Further cuts in auto production as the result of consumer reluctance to buy and over-stocked dealer's floors, have also alerted investors to the lag in demand in some quarters. These factors have induced some investors to take to the shelter of high-grade fixed income securities, a move that has been hastened by the weakness in the stock market that has cropped up recently. Acting to restrain the advance in bond prices have been the heavy capital needs of businesses which are in the midst of record capital expansion programs. As long as the last-named factor is in operation, gains in fixed income securities will undoubtedly be held to moderate proportions.

TRADE—Dollar value of retail sales dipped 2% on a seasonally adjusted basis in April, wiping out the gains that had been chalked up in March, according to advance estimates by the Commerce Department. Consumer buying in early May was discouraged by cold and rainy weather. The total for the week ending Wednesday, May 9, was about 3% under a year ago, but comparison was with the 1955 week which was bolstered by purchases for Mother's Day. Apparel sales were strong in the latest period but furniture

MONEY AND BANK CREDIT
[WEEKLY REPORTING MEMBER BANKS]



stores reported slower business. Demand for refrigerators, air conditioners and television sets improved slightly from recent levels.

INDUSTRY—Some decreases in industrial output have become apparent in recent weeks although the total remains at high levels. The MWS Business Activity Index stood at 220.4 in the week ending May 5, which compares with 220.7 two weeks earlier and the peak of 227.3, reached late in January. Steel output in the latest week was scheduled at 96.5% of capacity, still at a very high level, although slightly below recent figures. Auto output has been a weak spot, with production declining steadily. Dealers' new car inventories still remain very high, however, and actually rose somewhat in April, as consumers failed to absorb even the reduced output.

COMMODITIES—The Bureau of Labor Statistics' index of (Please turn to following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre- Pearl Harbor*
MILITARY EXPENDITURES—\$b (e)					
Cumulative from mid-1940	Apr.	3.2	3.1	3.4	1.6
	Apr.	621.2	618.0	581.2	13.8
FEDERAL GROSS DEBT—\$b	May 8	275.7	275.7	276.6	55.2
MONEY SUPPLY—\$b					
Demand Deposits—94 Centers	May 2	55.9	56.9	56.0	26.1
Currency in Circulation	May 2	30.3	30.2	29.9	10.7
BANK DEBITS—(rb)**					
New York City—\$b	Mar.	69.1	63.8	63.4	16.1
343 Other Centers—\$b	Mar.	110.0	102.3	105.4	29.0
PERSONAL INCOME—\$b (cd2)	Mar.	314.9	313.3	295.7	102
Salaries and Wages	Mar.	217	216	203	99
Proprietors' Incomes	Mar.	49	49	49	23
Interest and Dividends	Mar.	29	28	26	10
Transfer Payments	Mar.	18	18	17	10
(INCOME FROM AGRICULTURE)	Mar.	14	14	15	3
POPULATION—m (e) (cb)	Apr.	167.4	167.2	164.6	133.8
Non-Institutional, Age 14 & Over	Apr.	118.4	118.3	117.1	101.8
Civilian Labor Force	Apr.	65.6	65.9	64.6	55.6
Armed Forces	Apr.	2.9	2.9	3.1	1.6
unemployed	Apr.	2.6	2.8	3.0	3.8
Employed	Apr.	64.0	63.1	61.7	51.8
In Agriculture	Apr.	6.4	5.7	6.2	8.0
Non-Farm	Apr.	57.6	57.4	55.5	43.2
Weekly Hours	Apr.	41.3	40.7	41.2	42.0
EMPLOYEES, Non-Farm—m (b)	Apr.	50.0	49.8	48.6	37.5
Government	Apr.	7.1	7.1	6.9	4.8
Trade	Apr.	10.8	10.8	10.5	7.9
Factory	Apr.	13.1	13.2	12.8	11.7
Weekly Hours	Apr.	40.2	40.4	40.3	40.4
Hourly Wage (\$)	Apr.	1.95	1.95	1.86	0.66
Weekly Wage (\$)	Mar.	78.39	78.78	74.96	21.33
PRICES—Wholesale (lb2)	May 8	113.7	113.8	109.9	66.9
Retail (cd)	Feb.	207.5	207.6	207.5	116.2
COST OF LIVING (lb2)	Mar.	114.7	114.6	114.3	65.9
Food	Mar.	109.0	108.8	110.8	65.9
Clothing	Mar.	104.8	104.6	103.2	59.5
Rent	Mar.	131.6	131.5	130.0	89.7
RETAIL TRADE—\$b**					
Retail Store sales (cd)	Mar.	15.7	15.3	15.1	4.7
Durable Goods	Mar.	5.5	5.4	5.5	1.1
Non-Durable Goods	Mar.	10.3	10.0	9.6	3.6
Dep't Store Sales (mrb)	Mar.	0.92	0.90	0.87	0.34
Consumer Credit, End Mo. (rb)	Mar.	35.5	35.3	29.9	9.0
MANUFACTURERS'					
New Orders—\$b (cd) Total**	Mar.	26.8	27.6	26.5	14.6
Durable Goods	Mar.	13.4	14.1	13.4	7.1
Non-Durable Goods	Mar.	13.5	13.5	13.1	7.5
Shipments—\$b (cd)—Totals**	Mar.	27.1	27.2	26.0	8.3
Durable Goods	Mar.	13.3	13.6	12.9	4.1
Non-Durable Goods	Mar.	13.7	13.6	13.1	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—\$b (cd)	Mar.	83.8	83.6	77.5	28.6
Manufacturers'	Mar.	47.4	46.9	43.3	16.4
Wholesalers'	Mar.	12.6	12.5	11.6	4.1
Retailers'	Mar.	23.8	24.2	22.6	8.1
Dept. Store Stocks (mrb)	Mar.	2.7	2.7	2.5	1.1
BUSINESS ACTIVITY—1—pc	May 5	220.4	220.1	208.0	141.8
(M. W. S.)—1—np	May 5	284.1	283.6	263.0	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 303)

spot prices of 22 leading commodities continued to decline in the two weeks ending May 11. The drop in the latest period came to 1.0%, bringing the index to 90.9% of the 1947-1949 base. Weakest components continued to be industrial raw materials and metals with declines of 1.6% and 1.9%, respectively. Raw foods gave up 0.1%, livestock lost 0.6% and fats and oils were 2.0% lower. Textiles and fibers managed a minimal gain, amounting to 0.1%.

* * *

NEW CONSTRUCTION outlays rose seasonally in April to \$3,250 million. This was 1% under a year ago, the first time in many months that this indicator has fallen below the corresponding period of a year earlier. Main reason for the lag has been the decrease in private residential building. In April this came to \$1,207 million, down 8% from April, 1955. Private nonresidential construction has been a strong spot, posting an 18% gain in April over a year earlier. Public utility construction was down 2% but railroad construction outlays rose 14%. Public construction was virtually unchanged from April 1955. In this field, public service enterprises showed a 115% gain, mainly reflecting outlays on the St. Lawrence Seaway. The biggest decrease was in public industrial construction which was 59% under last year, the result of the decline in building of atomic energy facilities that began early in 1954.

* * *

CASH DIVIDEND PAYMENTS by corporations issuing public reports, increased to \$1,607 million in March, a 20% gain over a year ago. The sharpest advance was in manufacturing, where higher payments by both durables and nondurables, resulted in a 25% gain from April, 1955. Most of the durable goods industries have had marked increases in dividends in the past year, the biggest advance being in the automobile group. Foods and chemicals led the generally more modest advances among nondurables. Higher oil refining disbursements contributed substantially to the gain in this field. Smaller gains were the rule in nonmanufacturing industries, the largest being those recorded for the mining and finance groups. First quarter dividend payments for all

and Trends

PRESENT POSITION AND OUTLOOK

corporations advanced to \$2,739 million, nearly 20% above the corresponding 1955 period. The pattern of the advance was broadly similar to that for March alone with increases registered by almost all industry groups.

* * *

EXPORTS from this country amounted to \$1,354 million in February, 6% ahead of January and 9% higher than a year ago. These figures include defense shipments under the Mutual Security Program, amounting to \$90 million in February, \$82 million the previous month and \$95 million a year earlier. Export gains from January to February were noted for passenger cars, auto parts, steel scrap, cotton, chemical products, wood and paper.

IMPORTS into the United States in February amounted to \$1,047 million. This was slightly under the January total of \$1,047 million but well ahead of the \$844 million of imports in February, 1955. Decreased imports in February included newsprint, aluminum, nickel, rubber, cocoa beans and meat products. Increases were registered by agricultural machinery, copper, crude oil, industrial diamonds, coffee and cane sugar.

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—la np (rb)					
Mining	Mar.	142	143	135	93
Durable Goods Mfr.	Mar.	131	131	121	87
Durable Goods Mfr.	Mar.	157	158	150	88
Non-Durable Goods Mfr.	Mar.	129	129	123	89
CARLOADINGS—t—Total					
Misc. Freight	May 5	771	778	741	993
Misc. Freight	May 5	383	390	382	379
Mdse. L. C. L.	May 5	61	61	60	66
Grain	May 5	50	50	47	43
ELEC. POWER Output (Kw.H.) m					
	May 5	10,815	10,867	9,586	3,266
SOFT COAL, Prod. (st) m					
Cumulative from Jan. 1	May 5	10.0	10.2	8.6	10.8
Stocks, End Mo.	May 5	179.3	169.3	152.6	44.6
	Mar.	65.9	65.3	63.7	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	May 4	7.1	7.2	6.7	4.1
Gasoline Stocks	May 4	189	190	174	86
Fuel Oil Stocks	May 4	33	32	43	94
Heating Oil Stocks	May 4	64	62	71	55
LUMBER, Prod.—(bd. ft.) m					
Stocks, End Mo. (bd. ft.) b	May 5	247	257	253	632
	Feb.	8.7	8.7	9.2	7.9
STEEL INGOT PROD. (st) m					
Cumulative from Jan. 1	Apr.	10.5	10.9	9.8	7.0
	Apr.	42.4	31.9	37.1	74.7
ENGINEERING CONSTRUCTION					
AWARDS—\$m (en)					
Cumulative from Jan. 1	May 10	558	389	459	94
	May 10	8,569	8,011	6,664	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	May 5	387	276	372	165
Cigarettes, Domestic Sales—b	Feb.	31	34	28	17
Do., Cigars—m	Feb.	505	453	438	543
Do., Manufactured Tobacco (lbs.)m	Feb.	15	16	15	28

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9-100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. l—Seasonally adjusted index (1935-9-100). la—Seasonally adj. index (1947-9-100). lb—Labor Bureau. lb2—Labor Bureau (1947-9-100). lb3—Labor Bureau (1935-9-100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 centers. st—short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

No. of	1955-56 Range	1956	1956	(Nov. 14, 1936 Cl.—100)	High	Low	1956	1956
Issues (1925 Cl.—100)	High	Low	May 4	May 11			May 4	May 11
300 Combined Average	351.3	282.0	351.3	346.4	100 High Priced Stocks	239.7	180.6	239.7
					100 Low Priced Stocks	411.1	343.5	408.9
4 Agricultural Implements	348.7	258.4	261.7	258.4L	4 Gold Mining	882.7	649.1	823.4
3 Air Cond. ('53 Cl.—100)	116.0	87.0	107.8	104.8	4 Investment Trusts	171.2	140.8	171.2
9 Aircraft ('27 Cl.—100)	1205.5	871.7	1196.2	1172.3	3 Liquor ('27 Cl.—100)	1155.7	961.3	1055.9
7 Airlines ('27 Cl.—100)	1263.6	971.2	1013.0	992.1	9 Machinery	447.5	317.7	447.5
4 Aluminum ('53 Cl.—100)	511.2	191.1	511.2	496.3	3 Mail Order	234.1	159.3	204.1
6 Amusements	180.6	147.0	170.7	172.3	4 Meat Packing	170.7	112.8	168.0
9 Automobile Accessories	373.7	308.3	370.1	370.1	5 Metal Fabr. ('53 Cl.—100)	213.2	155.9	211.3
9 Automobiles	55.8	44.3	50.7	49.7	10 Metals, Miscellaneous	469.2	358.2	469.2
4 Baking ('26 Cl.—100)	30.6	27.0	27.3	27.0L	4 Paper	1301.8	767.1	1301.8
3 Business Machines	1072.9	654.7	1028.2	1072.9H	22 Petroleum	858.5	590.0	858.5
6 Chemicals	652.3	466.6	640.3	616.4	21 Public Utilities	261.5	234.8	253.9
4 Coal Mining	23.5	14.8	21.6	21.4	7 Railroad Equipment	95.1	73.4	95.1
4 Communications	116.6	100.7	108.0	108.0	20 Railroads	82.0	64.7	82.0
9 Construction	136.4	106.4	135.2	132.8	3 Soft Drinks	565.7	459.9	544.8
7 Containers	807.9	675.1	792.7	792.7	12 Steel & Iron	336.9	219.2	330.6
7 Copper Mining	361.3	222.2	337.4	328.5	4 Sugar	68.8	56.1	65.0
2 Dairy Products	127.0	111.7	117.6	116.4	2 Sulphur	964.0	813.2	868.0
6 Department Stores	100.2	80.0	89.0	87.1	11 Television ('27 Cl.—100)	47.3	40.1	41.0
5 Drugs-Eth. ('53 Cl.—100)	198.3	129.6	193.1	194.8	5 Textiles	188.9	148.4	164.1
6 Elec. Eqp. ('53 Cl.—100)	209.9	151.3	209.9	206.2	3 Tires & Rubber	201.0	137.8	195.5
2 Finance Companies	651.1	560.0	572.0	560.0L	5 Tobacco	96.7	81.9	94.8
6 Food Brands	301.6	256.2	298.7	298.7	2 Variety Stores	315.0	286.9	293.0
3 Food Stores	175.3	137.7	170.4	167.2	15 Unclassif'd ('49 Cl.—100)	158.3	141.9	156.8

H—New High for 1955-1956.

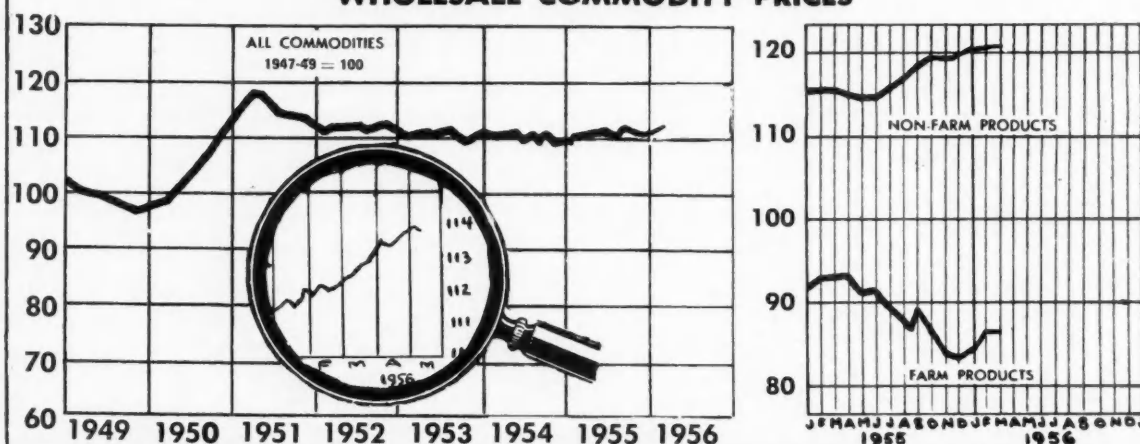
L—New Low for 1955-1956.

Trend of Commodities

Most commodity futures markets turned reactionary in the two weeks ending May 15. In the grains, hesitancy was evoked by the doubtful prospects for the Soil Bank bill passed by the House of Representatives. Improved growing conditions were also a factor restraining buyers. The Dow-Jones Commodity Futures Index lost 2.21 points during the period, to close at 153.51. September wheat gave up 4½ cents in the two weeks ending May 15, finishing at 208½. The Department of Agriculture forecast a winter wheat crop of 681 million bushels, based on May 1 conditions. This is well under last year's output, but weather conditions have improved greatly in the past two weeks as evidenced by both private and governmental reports. The Administration has objected to certain features of the farm bill as passed by the House but it is hoped that a compromise measure can be worked out. Planting of

Canadian wheat has been delayed by wet weather and this can affect the eventual size of that country's crop. September corn was down 5½ cents in the fortnight ending May 15. Corn planting has started in the western portions of the main corn belt although too much rain has made delays in the East. Impoundings of feed grain in the Government loan have been very heavy this year and should prove to be an important supporting influence for this year's crop. Cotton prices were higher in the period under review. The October option gained 49 points to close at 32.28 cents. Acreage planted to cotton this Spring is the smallest in many years, although yields per acre should be high because of the planting of the best land and the heavy use of fertilizer. Exports continue to lag, totaling only 1,552,000 bales for the period from August 1 through May 8 versus 2,939,000 bales at the same time last season.

WHOLESALE COMMODITY PRICES

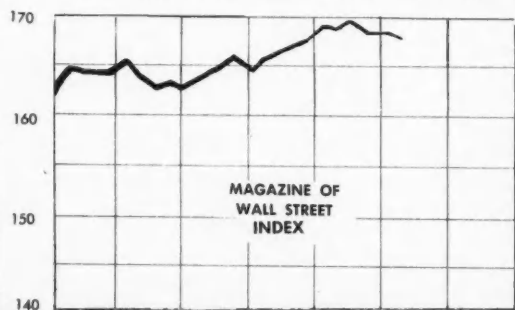


U. S. DEPARTMENT OF LABOR INDEX OF 22 BASIC COMMODITIES Spot Market Prices — 1947-1949, equals 100

	Date	2 Wks.	3 Mos.	1 Yr.	Dec. 6
	May 11	Agg	Agg	Agg	1941
22 Commodities	90.9	91.8	88.6	89.3	53.0
Foods	82.3	83.0	75.4	86.2	46.5
Raw Industrial	96.8	98.4	98.9	91.4	58.3

	Date	2 Wks.	3 Mos.	1 Yr.	Dec. 6
	May 11	Agg	Agg	Agg	1941
Metals	123.0	125.4	124.3	105.2	54.6
Textiles	79.6	79.5	81.9	85.3	56.3
Fats & Oils	69.7	72.3	63.3	65.7	55.6

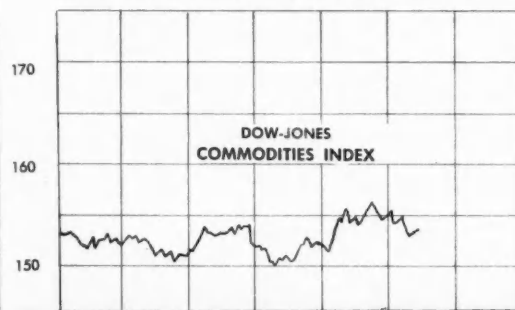
RAW MATERIALS SPOT INDEX DEC. JAN. FEB. MAR. APR. MAY JUNE



14 Raw Materials, 1923-25 Average equals 100

	Aug. 26, 1939—63.0	Dec. 6, 1941—85.0					
	1956	1955	1953	1951	1945	1941	1938
High	169.8	164.7	162.2	215.4	117.7	88.9	57.7
Low	163.1	153.6	147.9	176.4	98.6	58.2	47.3

COMMODITY FUTURES INDEX DEC. JAN. FEB. MAR. APR. MAY JUNE



Average 1924-26 equals 100

	1956	1955	1953	1951	1945	1941	1938	1937
High	156.2	173.6	166.5	214.5	95.8	74.3	65.8	93.8
Low	150.0	150.7	153.8	174.8	83.6	58.7	57.5	64.7

Answers to Inquiries



The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. The service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject to the following conditions:

1. Give all necessary facts, but brief.
2. Confine your requests to three listed securities at reasonable intervals.
3. No inquiry will be answered which does not enclose stamped, self-addressed envelope.
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

General Dynamics

"General Dynamics has been quite volatile marketwise recently. I am a new subscriber to your publication and find it interesting and informative. I would appreciate receiving your views on General Dynamics, particularly as to its growth prospects."

G. C. Springfield, Ill.

General Dynamics is active in such growth industries as atomic energy and guided missiles, electronics, aircraft and submarine-building. Its largest revenue producer is military aircraft. The company's Convair division recently was awarded a contract for a new \$40 million plant to house an autonomous organization devoted to research, development, manufacturing and testing of Atlas intercontinental ballistic missile, on a 280-acre site near San Diego. Half of the cost will be put up by Convair and half by the Air Force.

Net sales for the year ended December 31, 1955 were \$687,274,182 and net profit \$21,254,386 equal to \$4.23 per common share, based on 5,011,333 shares outstanding. This compares with 1954 sales of \$648,641,241, net income \$20,795,472, equal to \$9.43 per share, based on 2,183,290 shares outstanding. Earnings for 1954 adjusted for the 2-for-1 stock split were \$4.72 per share.

For the three months to March 31, 1956, net sales were \$173,473,-

000, net profit \$4,323,000, equal to 86 cents per common share. This compares with first-quarter 1955 sales of \$159,241,000, net profit \$4,519,000 equal to 89 cents per share. Unfilled orders as of March 31, 1956 were \$1,653,000,000. In addition there are \$370 million, orders under negotiation.

Though net income for the first quarter of 1956 was slightly lower, the president of the company declared that "our projection showed that earnings will exceed 1955 or 1954 and we forecast that consolidated net sales for 1956 will approach \$1 billion."

General Dynamics is shifting from cost-plus-fixed-fee to fixed-price contracts.

The stock is volatile, but growth prospects continue good. Current quarterly dividend is 55 cents per share.

American Can

"I am retired and am interested primarily in investments in stable companies of good quality. Please present recent data on American Can Co. and include financial position."

L. A., Mobile, Ala.

The output for metal containers has advanced steadily since the war and this reflects per capita increase in consumption and the growing population, as well as new uses for cans. American Can Co. has an excellent earnings and dividend record. This stable issue

has been a satisfactory income producer.

Sales and rentals of American Can Co. for 1955 amounted to \$714,793,543, an increase of 9.6% over the \$652,391,169 reported in the preceding year, and net income after taxes reached a peak of \$35,989,700, equal to \$3.04 a common share, after preferred dividends, compared with \$30,446,708, or \$2.53 a common share, in the preceding year. There are 10,885,591 shares of common stock outstanding.

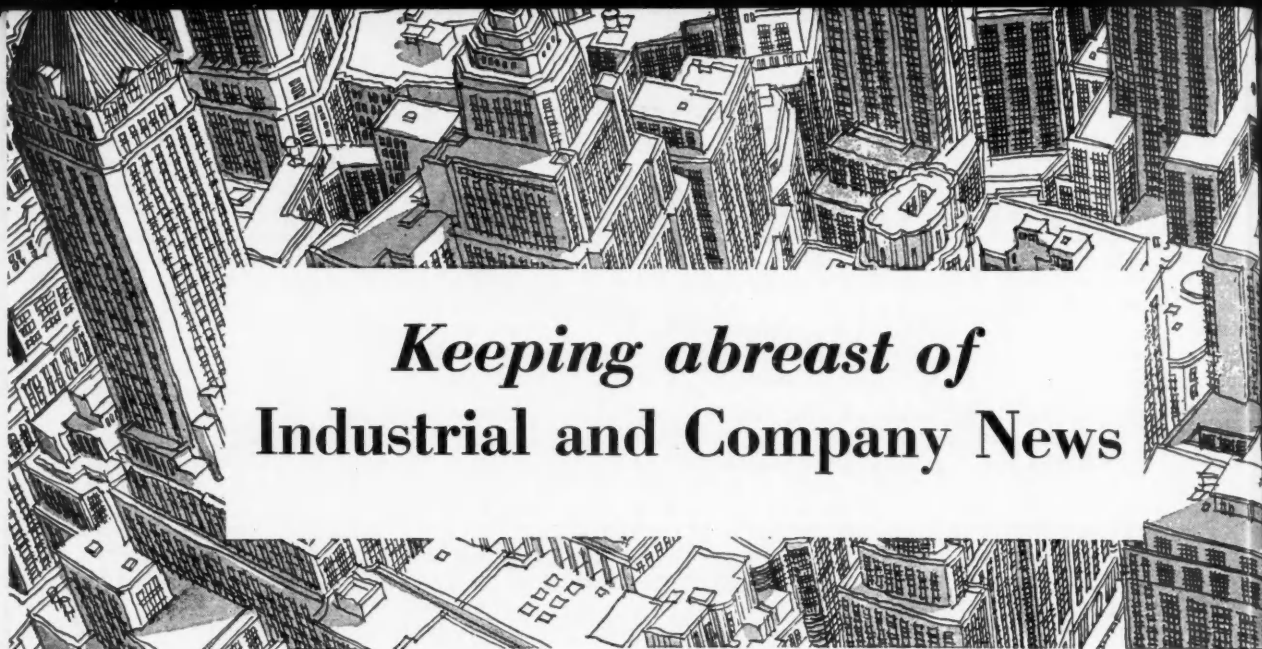
An important factor in the improvement of the company's business during the year was the larger physical volume enjoyed as the result of expanding markets for Canco containers. The growth in sales was well diversified. Weather conditions for fruit and vegetable crops generally were favorable, except for some adversities affecting tomatoes and other vegetables in Eastern states. Containers for such large volume items as milk, beer, shortening and motor oil continue to show substantial gains over the previous year and containers for many new products, which hold potentials for becoming large-volume items in the future, further broadened the market horizons for company's products.

Net current assets, or working capital, at yearend totaled \$140,500,144, compared with \$129,462,409 at the end of 1954. Company continues to have a sound financial condition.

Capital expenditures in 1955 amounted to \$27,814,337, substantially under the \$36,881,214 spent in 1954. Most of the outlays in the past year were for improvements, modernization and replacement of existing production equipment to consolidate operations and to increase efficiency.

Among the new containers in Canco's "growing family" are non-drip pouring spouts for such products as liquid detergents,

(Please turn to page 328)



Keeping abreast of Industrial and Company News

Coca-Cola Co. (MAGAZINE, Page 226, May 12) had net profit for the first quarter this year of \$4,480,000, compared with \$4,115,000 in the initial period of 1955. Net for the latest quarter was equal to \$1.05 a share on 4,278,805 shares and compares with 96 cents each on 4,068,078 shares a year ago. Sales of Coca-Cola syrup in the initial period of 1956 set a record at home and abroad.

Solace for stockholders of the Big Three automotive manufacturers, whose production and sales are far behind the 1955 level, will be forthcoming next month — all will be putting the regular quarterly dividends in the mail. On June 13, the 75-cent dividend of **Chrysler** and the 60-cent dividend of **Ford Motor Co.** are due for payment. **General Motors** will forward the usual 50-cent quarterly on June 9.

Penn-Texas Corp. net worth on April 30 was about \$66.5 million. Leopold D. Silberstein, president and chairman, also stated that sales and earnings were running well above early 1955. He put the backlog of orders at \$70 million and forecast sales for all 1956 of between \$140 million and \$150 million. In 1955, P-T had operating revenues of little more than \$81 million. The company's highly diverse activities cover oil, coal-mining, electronics and heavy industrial machinery production. Mr. Silberstein told stockholders attending the annual meeting earlier this month operations were proceeding satisfactorily.

The rumor mill persists in linking **Curtiss-Wright Corp.** and **Studebaker-Packard Corp.** S-P, formed by merger in October, 1954, is operating in the red and needs financing. Curtiss, on the other hand, is prospering and seeking to build its non-military business. The large tax loss credit of S-P would be a considerable advantage to a company such as Curtiss. The S-P net loss last year amounted to nearly \$30 million.

Minnesota Mining & Manufacturing Co. attained record sales in the first quarter and increased earnings 15.3% from the like 1955 period. The high sales rate continued into the second quarter and results for the first half of this year should be more favorable

than last year. Net profit of the company, its domestic and Canadian subsidiaries amounted to \$8,633,000, equal to \$1.04 a share for the first quarter. In the initial period of 1955 net was \$7,452,000, or 91 cents per share. Sales totaled \$75,706,000, a gain of 19.4% from \$63,383,000 recorded last year. Stockholders have approved an increase in authorized common shares to 25 million from 10 million and a 2-for-1 split of the shares. Directors have voted an increased dividend of 50 cents on the old shares, payable June 12. Previous quarterly rate was 45 cents. The increased dividend is equal to 25 cents on the new shares growing out of the split.

The question whether a dividend boost can work out to a dividend cut was still awaiting an answer after the annual meeting this month of **Pennsylvania Railroad** stockholders. Last year, Pennsy paid 25 cents at quarterly intervals, plus 50 cents extra at yearend — a total of \$1.50. This year, 25 cents was paid in the first quarter, after which the stock was placed on a 35-cent quarterly basis. Thus, failure to vote an extra this year would result in disbursement of only \$1.30, assuming maintenance of the current quarterly rate. James M. Symes, president, told stockholders an extra in 1956 would depend on an appraisal of the situation prevailing around the windup of the year and "a very careful outlook of the future." At the moment, the outlook is promising. Estimated earnings for the first four months this year were \$12 million, up 7% from the like 1955 period.

Eastern Air Lines will formally take over **Colonial Airlines** equipment and route certificates on June 1. This long-pending acquisition and Eastern's current \$364 million new-plane procurement program are part of the company's plans that entail more than doubling its traffic over the next six years. Colonial, initially, will be operated with its own personnel and present equipment as a division of Eastern. The merger gives Eastern its first entry into Bermuda and Canada. Process of integrating Colonial into the parent operation may take a year to 18 months. Takeover of Colonial's assets, valued at \$3.08 million and 3,460 miles of domestic (Please turn to page 323)



PUGET POWER... DYNAMIC PROGRESS IN 1955

QUICK FACTS—1955

	Amount	Increase Per Cent Over 1954
Net Income for Common Stock . . .	\$ 4,924,981	10.4
Per Share of Common Stock . . .	\$1.51	10.2
Dividend Rate Per Share, End of Year	\$1.20 (a)	10.1
Operating Revenues	\$23,358,911	11.3
Gross Additions to Utility Plant . . .	\$ 9,821,562	40.0
Kilowatt-hour Sales (in thousands) . .	1,880,523	14.2
Peak Load—Kilowatts	482,700(b)	27.7
Customers at End of Year	186,856	3.5
Average Annual Kilowatt-hour Use Per Residential Customer	6,540	11.7

(a) On basis of 3,266,819 shares outstanding.

(b) This exceptionally high peak was recorded on November 14 due to unusually cold weather.

*For copy of Puget's 1955
Annual Report, write:
Frank McLaughlin, President,
860 Stuart Building,
Seattle 1, Washington.*

PUGET's Annual Report reveals that 1955 was the Company's biggest year—one of "dynamic progress"—built on the demonstrated confidence of many people. It was a year of record highs for Puget in important phases of its operations.

Common stock earnings, largest in the Company's history, increased 10.4% over those in 1954. In 1955 they represented 21.1% of Puget's revenues—one of the very highest ratios in the electric utility business.

The Company's exceptional capitalization ratio of 40% debt and 60% equity will, on the basis of present projections, enable \$87 million of new construction planned for the years 1956-1959 to be financed wholly by senior securities and from internal sources—with a resultant Common equity ratio of more than 40% in 1959.

The population growth in the Company's territory was twice that of the rest of the State, four times that of the country as a whole (1940-1950) and is forecast to increase 60% (1955-1965). An independent survey also predicts for the same period a two-thirds gain in customers, and a sharp rise in the average residential customer use of electricity from 1955's all-time high of 6,540 to more than 9,000 kilowatt-hours a year.

With a vastly improved "climate," effective partnership in the successful Puget Sound Utilities Council—Puget was never in better shape to translate its excellent growth, earnings and dividend prospects into realities for stockholders—to maintain good electric service at reasonable rates—to bring about greater customer benefits through increased use of electricity—and to play a vital role in the upbuilding and development of the territory it serves.

PUGET SOUND POWER & LIGHT COMPANY

Over one-fourth of the people in the U.S. live within range of atomic missiles that could be launched in a sneak attack by

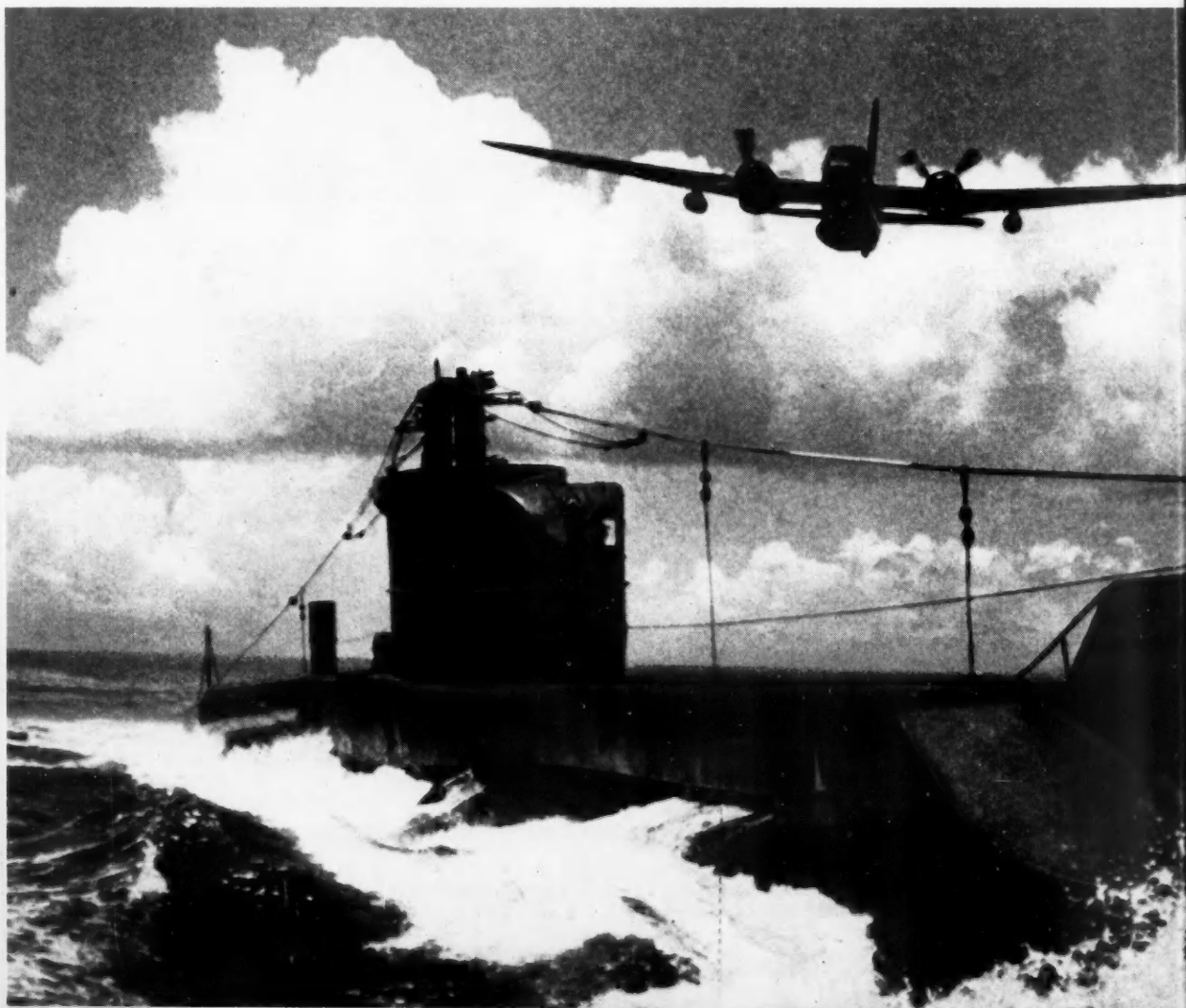
Modern submarines, able to make long voyages while completely submerged, and to launch nuclear missiles in a sneak attack, are among the most sinister weapons of this atomic age.

To safeguard our nearly twelve thousand miles of coastline against sub invaders, the U.S. Navy for ten years has patrolled immense areas of the ocean, in fair weather and foul, in Lockheed P2V Neptunes. Special submarine detection gear enables the P2V, despite darkness or fog, to pinpoint even submerged subs. And p

ENEMY SUBS!

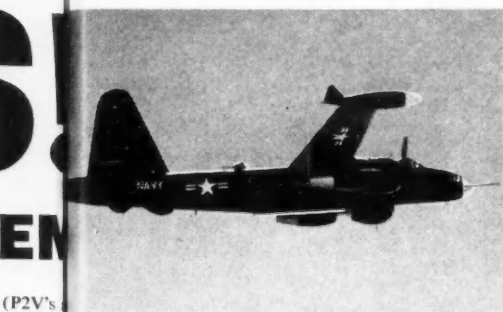
A CRUCIAL U.S. DEFENSE PROBLEM

Official R.A.A.F. photo (below) shows war games "attack" on British sub by Royal Australian Air Force Neptune. (P2V's in military service for the following friendly countries: Australia, Canada, Great Britain, France, Japan and the Netherlands.)

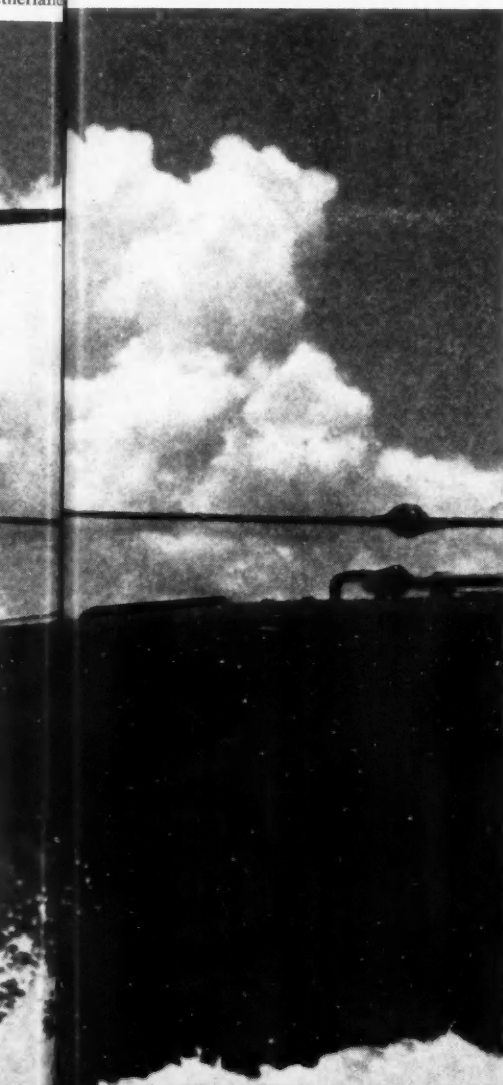


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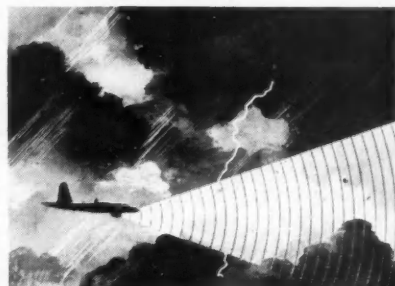
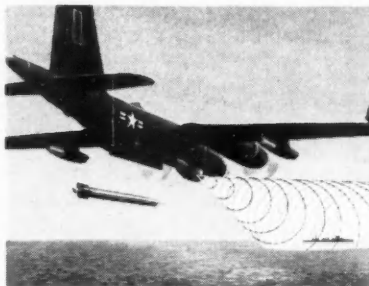
ressive modifications of the P2V have kept it militarily up to date at lowest cost to the Navy. Pound for pound, and dollar for dollar, the P2V Neptune is the most formidable patrol aircraft bearing the insignia of the U.S. Navy. Recently the Navy awarded Lockheed its 24th contract for P2V Neptunes—a tribute to Lockheed's leadership in weapons system management, the development and application of electronics, and the design and production of long-range patrol aircraft.



(P2V's
therland



These drawings illustrate the multiple-mission capabilities of the P2V Neptune: **1** Low-flying P2V's electronic gear spots submerged sub because its presence distorts the earth's magnetic field. **2** Depth-bombing a submerged sub, **3** torpedoing a surface ship or laying mines to disrupt enemy shipping are jobs the P2V can do equally well. **4** Spotting hurricanes and reporting their velocity and direction are routine but important P2V missions which save human lives and vast sums in property damage.



Lockheed Missile Research Laboratories to Be Built in Stanford's Industrial Park

A series of research laboratories will be constructed by Lockheed's Missile Systems Division on a 22-acre site adjacent to Stanford University, Palo Alto, California. On a nearby site of 275 acres, at Sunnyvale, Lockheed will build extensive new engineering, manufacturing and administration facilities. Lockheed's 3,000 scientists, engineers and technicians now developing guided missiles and unmanned aircraft at Van Nuys will transfer to Palo Alto and Sunnyvale as rapidly as construction permits.

The proximity of both new sites to Stanford will make the university's outstanding academic resources available to Lockheed research teams. And the new laboratory facilities to be built by Lockheed will provide Stanford scientists with technological tools and consulting opportunities hitherto unavailable.

ATTENTION, STUDENTS WHO DESIRE MASTER OF SCIENCE DEGREES: Lockheed's Advanced Study Program helps students achieve MS degrees in Mathematics, Electrical and Mechanical Engineering, Aeronautics and other physical sciences. Write: LOCKHEED MISSILE SYSTEMS DIVISION, Van Nuys, Calif. (Below: aerial photo of Stanford campus.)



LOOK TO LOCKHEED FOR JET LEADERSHIP, TOO

LOCKHEED

AIRCRAFT CORPORATION

California Division, Burbank, Calif.
Georgia Division, Marietta, Ga.
Missile Systems Division, Van Nuys, Calif.
Lockheed Air Terminal, Burbank, Calif.
Lockheed Aircraft Service, Burbank, Calif.

How Unwise Selling Practices Boomerang on 1956 Business

(Continued from page 274)

of the continuing decline in the pace of savings is the fact that net inflow of money into savings and loan associations during the initial quarter of 1956 added up to \$1.1 billion. This was a decline of 2% from the like period of 1955. Mutual savings banks reported net deposits of \$512 million in the first three months of this year, a dip from the \$566 million registered in the corresponding quarter of 1955. And, in keeping with this trend, the net sales of Government Series E and H bonds amounted to only \$295 million in the first three months of this year, compared with \$402 million in the year-earlier period.

Plainly, the public, which piled up an immense debt in 1955, was too busy meeting its obligations to do much saving.

Ray D. Murphy, chairman of the board of Equitable Life Assurance Society of the United States, said earlier this month that while this was a rapidly growing country, "the performance in 1955 represented more than normal growth—it was achieved by going heavily into debt."

Aftermath of the Hard Sell

A corollary of the hectic pace of automotive production in 1955 is the unemployment in that industry in 1956. Whereas 1955 was marked by record output of cars and lots of overtime, this year the

number of auto workers laid off and not recalled stood at 137,000 as April drew to a close. Total employment in the industry is 850,000. The situation will get worse before it gets better.

Nor is the near-term outlook for jobless auto workers encouraging. Car dealers have been finding the factory flow overwhelming and have turned to "bootlegging" part of the allotment. This entails selling the cars to unauthorized dealers for a small profit, or even no profit at all. Many dealers, in protest against the unwieldy stream of cars inundating their showrooms, have appealed to Congress to halt the practice.

In their frantic efforts to negotiate legitimate sales in a market heavily weighted on the buyer's side, dealers have been leaning increasingly on instalment sales at a time when the financing charges are headed higher. It appears that instalment-finance companies, which are paying more for money that they borrow to re-lend to purchasers of cars, intend to pass along part of these higher costs to dealers.

These finance companies handle about 55% of automobile instalment credit volume. Commercial banks take down 36% of the business. Many banks have raised interest charges on car loans in recent weeks.

Automobile instalment loans extended in the first two months of this year amounted to \$2.5 billion, an increase of 14% from a year earlier, with indications that the year-to-year gain continued beyond that point. C.I.T. Financial Corp., as an example, bought 9% more auto-loan paper in the first quarter of this year than a year

earlier.

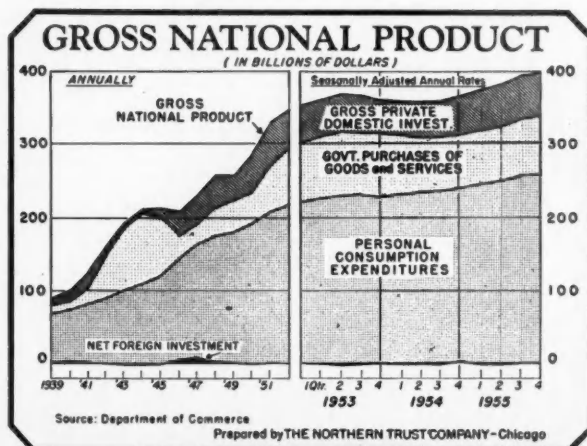
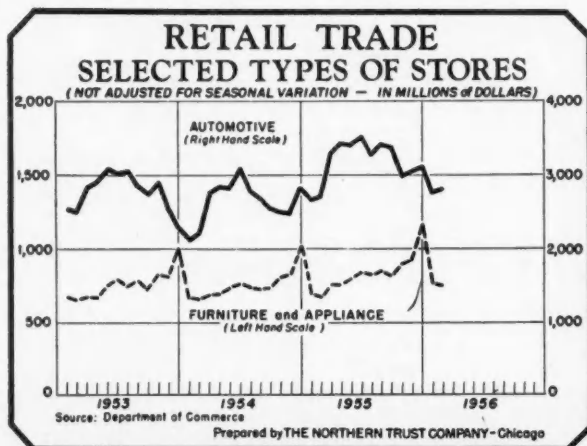
This rise in automotive credit amid falling sales provides a clue to the quality of the present market.

The quality is, if anything, even lower on the home-building front, where total mortgage debt rose in 1955 to \$130 billion from \$113 billion, or 15%. Of the total rise, \$13 billion was on non-farm dwellings.

Home-building began to decline last fall following modest efforts by the Government to curb mortgage credit. New housing starts in each month from September through December fell below a year earlier. What was the nature of the credit restrictions? The maximum term of Federal Housing Administration and Veterans Administration mortgages was cut to 25 years from 30 years. Down-payment requirements were lifted slightly. And in September, the Federal Home Loan Bank Board clamped down on borrowing by member savings and loan associations to secure additional funds for home-mortgage loans.

Apparently frightened at the prospect of a slowdown of large proportions, the Government reverted to 30-year mortgages—and at the very time that the Federal Reserve Board was urging restraint.

Following the credit excesses of 1955, there has grown up a considerable body of opinion that contends such evils can be corrected only by giving the Federal Reserve Board standby power to control directly the terms of consumer and residential-mortgage credit. This school of thought, of course, runs head-on into business



groups, which have expanded their volume by expanded credit. Their stand also finds widespread support from the general public, which naturally feels that it should have the right to decide such personal questions as debt for itself.

In a time of unprecedented boom, it would be neither easy nor politically popular to impose direct restraints. It would appear that far more damage than has been sustained to date would have to materialize before any radical action on this front could be expected to muster support in high Government circles.

For the time being, all of the adjustments will have to be made by business people. New orders received by manufacturers of durable goods took quite a dip in March, on a seasonally adjusted basis, declining by \$700 million, while business added \$1.2 billion worth of goods to their inventories. This drop in new orders is, in part, an adjustment, however belated, to the reduced consumer demand for hard goods.

Most of the rise in inventories, it must be emphasized, took place in manufacturers' holdings of durable goods. Such products are the key to this more-than-seasonal increase in inventories.

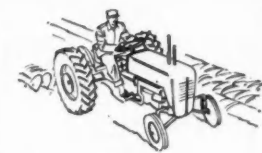
Rising inventories in the current situation, highlighted by a debt-ridden public, could well be involuntary as business struggles to sell today's record output of goods to a somewhat surfeited public.

Seeking a Solution

No ready-made panacea exists in an economy that is free for buyer and seller. At the same time, business is not helpless to cope with such a situation. Through its various associations, covering every industry, it would seem that companies, especially those that sell consumer goods, could agree to refrain from unsound credit practices and giveaways or premiums. Companies also might take another look at uneconomic advertising practices, especially those that run into the law of diminishing returns.

In the absence of correctives in such fields as credit, the business community leaves itself open to the heavy hand of Government, which may be counted on to act in the presence of deflation or worse.

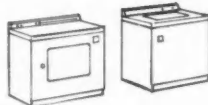
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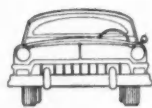
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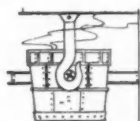
APPLIANCES



AUTOMOBILES



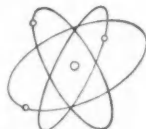
HOME EQUIPMENT



STEEL



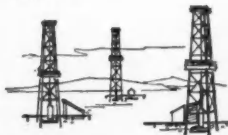
NUCLEONICS



ELECTRONICS



PLASTICS



PETROLEUM

PLANNED DIVERSIFICATION

... the basis for Borg-Warner's dynamic progress and future growth

"Business" with Borg-Warner is many businesses. And business is good. During 1955 sales reached an all-time high in excess of a half-billion dollars, the result of Borg-Warner's dynamic program of "planned diversification."

Organized originally to serve the automotive industry, Borg-Warner has also been identified for many years with the agricultural, aircraft, appliance, home equipment and steel industries.

Today Borg-Warner is becoming increasingly active in such newer fields as electronics, nucleonics, plastics and petroleum. During 1956, for example, B-W will spend approximately \$25 million for additional facilities with a new \$10 million plastics plant, an extensive new electronics plant and laboratory, and a new multi-million dollar industrial research center.

All such activities are carefully planned. Expansion in these and other fields is undertaken only when thorough study clearly indicates that such enterprises will benefit from B-W's special skills and broad experience in research, engineering, production and management.

Back of all this planned diversification for growth is Borg-Warner's guiding principle "design it better—make it better." If your interest lies in any of these fields, your inquiry may be especially rewarding. Borg-Warner Corp., 310 S. Michigan, Chicago 4.

Benefiting almost every American every day



BORG-WARNER



WHAT MAKES CHESSIE'S R



Your new auto and Chessie are old friends

What if the speedometer does still register zero, your brand new car has already done a lot of traveling. For automobiles aren't made in one place—they are made in many, and Chesapeake and Ohio is an essential link in the "assembly line" that brings the parts together.

To the great automobile plants at Detroit, Flint, Lansing, C & O brings glass, chemicals, plastics from West Virginia and Michigan, steel from Buffalo, Chicago and the Ohio River Valley. Spark plugs, paint and rubber

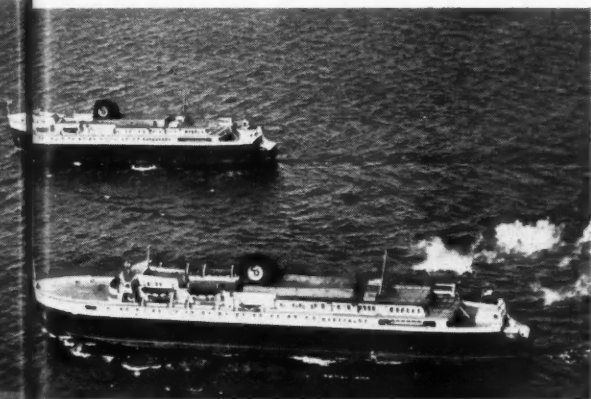
from Ohio. Castings and steering gears from Saginaw. Wheels from Lansing. From Milwaukee come frames aboard C & O's Train-ferry fleet. Chesapeake and Ohio in Ontario performs a similar service for the Canadian automobile industry.

Altogether over 2,000 items go into the making of an automobile. Everything from acetates to zippers is manufactured in Chessie's territory, and C & O is progressively expanding its capacity to better serve these various industries. At the same time Chesapeake and Ohio's industrial development program each year helps over a hundred industries find new sites in Virginia, West Virginia, Kentucky, Ohio, Indiana, Michigan and southern Ontario.

All along C & O's 5,100 mile system, things are happening: a \$5.5 million classification yard at Russell, Kentucky, to speed merchandise freight. 130 new diesel locomotives. 8,000 coal cars. At its Atlantic ocean port of Newport News, Virginia, a \$3 million addition to coal handling facilities and a new \$8 million bulk cargo pier will mean better and faster service for importers and exporters.

Chessie's railroad is growing and going! Altogether its 1956 expansion program amounts to \$100 million—all for improved transportation services.

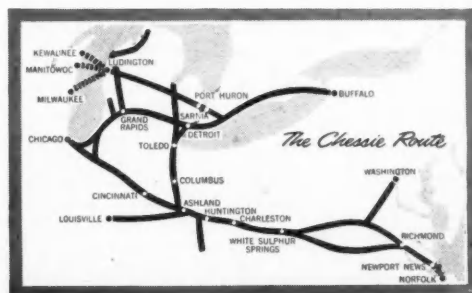
Automobile parts, moving on precise schedule, take the time-saving C & O Trainferries across Lake Michigan between Ludington, Michigan, and the Wisconsin ports of Milwaukee, Manitowoc and Kewaunee.



Would you like a portfolio of pictures of Chessie and her family? Write to:

Chesapeake and Ohio Railway

3807 TERMINAL TOWER, CLEVELAND 1, OHIO



Will Aircraft Shares Resume Their Upswing?

(Continued from page 288)

estimates of what will be approved. Accordingly, probable financial results can be better estimated than under conditions prevailing several years ago. Moreover, in the case of the larger and stronger companies commercial orders have become increasingly important, and margins on such contracts are not subject to government restrictions.

In connection with guided missile contracts and engineering projects in the field of secret electronic weapons, expenditures and margins on research work have been reasonably well established, so that such contracts generally are not importantly modified by renegotiation inquiries.

In studying this subject it may be helpful to review operations of a few of the larger manufacturers so as to see how current trends affect shipments and earnings potentialities. Investors have noted that some aircraft makers have reported lower sales. Douglas is

an example. Shipments in the February quarter fell to \$201 million from \$214.8 million in the corresponding period of 1955, while net profit dropped about \$2 million from slightly more than \$7 million in the first three months of fiscal 1955, or to \$1.38 from \$1.93 a share. In the case of Douglas and most other leading representatives, it is believed that results will improve through the remainder of 1956. Shipments of commercial airliners are scheduled to increase sharply — more than double the rate for the February quarter.

Some Substantial Order Backlogs

Heavy development expenses incident to getting the new DC-8 into production accounted for lower margins last year and in the first quarter of 1956. These expenses are continuing, but they can be offset to a greater extent as deliveries of new commercial and military equipment accelerate. The company has disclosed that orders for the new jet air transport DC-8 have climbed to nearly 400 planes with a market value of almost \$935 million, about 40 per cent of the com-

pany's backlog of future business approximating \$2,300 million.

Lockheed likewise has booked large commercial orders for its 4-engine jet Electra model favored by many airlines for relatively short distances. Development expense on this turboprop transport proved a heavy burden in 1955 and continues to hamper margins this year, but Lockheed apparently will be ahead of competitors in delivering jet airliners. Electras accounted for about half of commercial orders amounting to \$384 million at the year-end. Military planes on order had a value of \$798 million. Missile business booked amounted to \$36 million.

In the case of Republic Aviation, a slackening in operations may be illustrated. This company's contract on photo-reconnaissance planes is scheduled to phase out shortly. Orders for fighter-bombers have declined moderately, but work on guided missiles shows indications of expanding somewhat. Development work on more advanced military planes may hold down earnings this year.

—END

Increasing Competition In Soaps and Detergents

(Continued from page 293)

has been costly.

Procter & Gamble recently opened a large new research laboratory and Colgate-Palmolive Co. is building a new laboratory to cost around \$8 million. This is a good start toward the future new soap industry.

Synthetic detergents, of course, were not the development of the soap industry, but of the chemical industry, and they were not primarily developed for soaps, but as "wetting agents." That is, they made materials thoroughly "wet," which meant that dirt and soil were removed more easily. One of the pioneers and prime movers in the field was the Oronite Chemical division of Standard Oil of California, which saw early possibilities in the field and prepared huge production of detergents from petroleum considerably before the soap industry was sure that it was ready. Oronite, naturally, cashed in on this and the soap firms, notably Colgate-Palmolive, which took advantage of the Oro-

This advertisement appears as a matter of record only. No public offering is being made of these obligations.

\$235,000,000

Fruehauf Trailer Finance Company

Arrangements have recently been completed for an aggregate of \$235,000,000 of credits, of which \$95,000,000 represents new financing since December 31, 1955 and the balance a refunding and recasting of previous loans.

\$100,000,000	4% Notes due 1976
\$23,000,000	4½% Notes due 1976
\$100,000,000	Bank Loans due 1957 to 1962
\$12,000,000	Senior Subordinated Notes due 1964

The undersigned assisted the company in the negotiations for the above credits.

LEHMAN BROTHERS

May 8, 1956.

business facilities, got a jump on the field. The soap industry is notoriously secretive about its affairs, but it is common gossip that one of the reasons why Lever Brothers (no American stock outstanding) has had difficulties was because it missed out on early production of a detergent soap powder.

Thus, the reason for the trend of the two major soap firms, Procter & Gamble and Colgate, into chemical research is that they believe the final answer has not yet been found for the base for new soaps and new dentifrices. They also realize that research in this field might well open up new and more diversified chemical frontiers which eventually would widen their field of operations.

The Problem of Competition

All of this more favorable basic situation in raw materials, however, does not mean that the soap business is without its problems.

The ancient problem of competition is still present. There is probably no more bitterly competitive business in the country than the soap business and this competitive battle goes on and on without letup year after year. This feature of the business is one reason why the soap-makers are increasing their research.

The latest competitive squabble is between Colgate-Palmolive, long the dominant factor in the toothpaste field, and Procter & Gamble, largest firm in the soap business, which has been trying for years to horn in on the profitable dentifrice market in a big way.

Accurate figures on dentifrice sales are hard to come by. Colgate is reputed to have 30% to 40% of the over-all market. Procter & Gamble's Gleem is reputed to have climbed to 25% of the national market, but Colgate has officially claimed to have held its sales so the gain registered by Gleem must have come out of some of the smaller brands. Lever's Pepsodent, once a leading brand, now is estimated to have less than 10% of the market.

Now, Procter & Gamble is making another big push with a new product christened "Crest," which is a fluorinated toothpaste containing a tin fluorine compound claimed to be more effective than other fluorine chemicals tried out in toothpaste.

How does news affect the Stock Market?

A new, exhaustive study of day-to-day fluctuations in the stock market during the past 21 years explodes some popular myths and gives an interesting perspective on the market's reaction to news. For example: Does a war scare send the market up? Are market fluctuations more violent these days than twenty years ago? Can you expect big news stories to touch off major market trends? The answers to these and other questions, based on the record, are yours to read in the May issue of THE EXCHANGE Magazine.

OTHER FEATURES

First quarter dividend news. Over \$2 billion in cash dividends was paid out by listed companies during the first three months of 1956—a record high for any first quarter. Which industries showed the largest gains compared with last year? . . . Which ones paid the most dollars? . . . Which industry had the only perfect dividend record during this period? Don't miss this informative story.

Performance of three common stock portfolios. Almost

three years ago THE EXCHANGE Magazine published three common stock portfolios. Each contained 100 shares of three listed stocks that would have given the investor a dividend check of \$50 every month of 1952. What has happened since . . . to the value of each portfolio . . . to the dividend income? You'll find a complete history in the May issue.

Monthly investment plan favorites. In the first quarter of this year, public demand for the Monthly Investment Plan increased sharply. How have the 50 favorites fared during the past year and since the start of MIP in January 1954? The article gives you the answer.

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Pullman Incorporated

90th Consecutive Year of Quarterly Cash Dividends paid by Pullman Incorporated and predecessor companies

A regular quarterly dividend of seventy-five cents (75¢) per share will be paid on June 14, 1956, to stockholders of record May 31, 1956.

CHAMP CARRY
President



226th CONSECUTIVE CASH DIVIDEND

A dividend of twenty-five cents (\$.25) a share has been declared upon the stock of BURROUGHS CORPORATION, payable July 20, 1956, to shareholders of record at the close of business June 22, 1956.

SHELDON F. HALL,
Vice President
and Secretary

Detroit, Michigan,
May 10, 1956

Burroughs

U
C
B

UNITED CARBON

COMPANY

CHARLESTON,
WEST VIRGINIA

DIVIDEND NOTICE

A quarterly dividend of 50¢ per share has been declared on the common stock of this company, payable June 11, 1956 to stockholders of record at the close of business on May 28, 1956.

C. H. McHENRY
Secretary

Crest has been out about six months on the West Coast, where it has already captured a sizable share of the market. Since January it has been in national distribution with one of the biggest promotional drives in the history of the industry in back of it. Virtually every household in the country has received a free sample at a cost that has run into many millions.

The competition is naturally out with their own fluoride dentifrice preparations although they are not pushing them with the same aggressiveness that Procter & Gamble is using. Colgate, Lever Brothers, Bristol-Myers and Block Drug Co.'s Ammident all have fluoride products on the market or ready to be brought out.

Procter & Gamble claims that after a number of years of research and testing that their product actually works to preserve teeth while other fluoride compounds do not. Fluoride compounds have been used in drinking water in many areas around the country for some years, although the subject is still quite controversial.

P & G already has run into opposition and criticism from a number of dental associations.

Of course, while research is important, the real factor back of selling toothpaste, as well as soap, is the tremendous power of huge advertising associations. According to its competitors, P & G is reputed to have spent \$15 million to \$20 million in promoting its Gleem in the first year, which constitutes a record.

Chlorophyll Boom and Bust

The toothpaste business has been characterized by a number of fads in recent years with the introduction of new ingredients claimed to have miraculous properties. The first of these was the ammoniated toothpaste using an ammonia compound. Pioneer in this was Block Drug Co., which brought out Ammident and cut a wide swathe in the industry for a while until the competition got on its tail.

Then came the big chlorophyll boom and bust. This was followed by the anti-enzyme toothpastes, first introduced by the Lambert Co., now a division of Warner-Lambert. Colgate was ready and went along with these various trends but meanwhile stuck stead-

ily to its original Colgate paste, which seems to have held its ground in spite of all comers. Big advertising power pushed most of the newcomers into the background, leaving Colgate still dominant in the field. This was largely because the various new products apparently did not have enough real scientific backing for their claims, although most of them were supported by university laboratory and clinical reports. Money seems to be still the big factor in selling dentifrices.

So far the fluoride dentifrice Crest seems to have more solid scientific backing than the other high products. Fluoride in water, taken internally, is supported by many scientists as a preservative for teeth. Whether fluoride compounds applied externally to the teeth work in the same way may not be definitely established but P & G claims that its tin compound really works. If this is demonstrated, and if opposition from the dental profession is not too strong, Crest may turn out to be a real threat to Colgate's leadership.

It Takes Money

The picture is also constantly shifting in the soap and detergent fields. Here again the resources of the big firms cause heavy going for small and less aggressive soap firms. Colgate, for example, has over the last several years taken over a sizable share of the household cleanser business with its Ajax.

In the washing-machine soap field, a trend toward low sudsing detergents was started by Monsanto with its product "All." Colgate, after considerable research, came out with a competitive product named Ad, which is now battling it out with All.

The latest development to be watched is the introduction of liquid detergents to vie with the soap flakes. Soap-makers have long assumed that women did not like the liquid products, although they have been tried on the market for some years.

Now several of the big soap firms are quietly trying out markets on the new liquid products. An interesting sideline to this is that the liquids use potash compounds instead of the phosphate compounds that go into the soap flakes. If the trend toward liquids should become pronounced it

might have an appreciable effect on the already highly competitive business in the phosphates.

Investment Quality

Procter & Gamble and Colgate-Palmolive rank as high-quality issues. Both have records of paying their some dividend in each year since the preceding century and their ability to operate profitably, in good times and bad, has been demonstrated.

P & G management compares favorably with that of any company extant. It has achieved a high degree of diversification. The stock, slated for a 2-for-1 split, sells around 104 (old stock). With an indicated annual dividend payout of \$3.50, the yield is slightly more than 3%. The growth potential is considerable. Dividends, of course, may be expected to continue on the moderate side in light of need for large sums for research and especially for advertising and promotion.

Colgate rates only a shade behind P & G for prime quality. Selling around 55-56, it provides a liberal yield of about 5.5%, based on an indicated annual dividend of \$3. As is the case with P & G, dividend coverage is ample.

—END

BOOK REVIEW

The Loved and the Unloved

By THOMAS HAL PHILLIPS

Drama, violence and a startling climax mark this new novel by Thomas Hal Phillips, whose masterful storytelling and powerful characters have won him growing recognition as one of the most talented American writers to appear since World War II. He now tells of the insidious hatred which sprang up between two men from opposite sides of the fence—one who grew up as a sharecropper's son, and the other as heir to a rich farm. Max Harper was too smart to be a sharecropper all his life, and Vance Acroft was too smart to be just another spoiled kid. They both knew it, and so did Vance's sister.

There have been few better pictures of the rural South than the one Phillips presents here: the stark dignity of plain people wrestling with problems as old as the land itself, but not forgetting the laughter and surprises that reach into the lives of all. Max and Vance had to make their settlement in this kind of world, and when they did, it came like a thunderclap of tragedy, cruelty and redemption.

Readers who remember the tension

and suspense of Phillips' previous novels will find *The Loved and the Unloved* a literary achievement in the same tradition—a simple, frightening story that won't let you escape until the last turn of the screw on the last page. But also a story that has a haunting authenticity, an immediate impact that conveys at once the core of life in its inspiring nobility and degrading worst.

Harper

\$3.00

World In Transition

(Continued from page 285)

deflationary credit policy; (2) to free the currency from exchange control; and (3) to encourage foreign investment by passing an anti-monopoly bill and several other measures. Progress on the first point was achieved in January when a new wage bill was passed by Parliament, which fixed wage increases to about half the amount of the previous cost-of-living increase in order to break the upward momentum of the price-wage spiral. Naturally, all labor unions violently opposed the action, but their general strike soon petered out. As a result of the action, prices have been almost stable for over three months now, an unheard-of event in Chile.

Next came the exchange reform. In conformity with the Klein-Sachs recommendation, a \$75 million exchange stabilization fund was created, of which \$30 million was provided by the International Monetary Fund and the balance by the U. S. Then the peso was allowed to find its own level, strictly on the basis of supply and demand, with the result that it dropped immediately from the artificially high official rate of 300 per dollar to 460. Chile has also recently passed a law designed to overhaul its nitrate industry, which has long been suffering from competition with synthetic fertilizers. The modernization program, which will be helped by a \$25 million loan from the U. S. Export-Import Bank, will benefit mainly the Anglo-Lautaro Nitrate Corp. of New York, Chile's major nitrate producer. A bill permitting private foreign oil companies to exploit the country's potential oil resources may also soon be passed after years of wrangling with the more extreme nationalists in Parliament. Thus, Chile, finally,

Public Service Electric and Gas Company

NEWARK, N. J.



QUARTERLY DIVIDENDS

The Board of Directors has declared the following dividends for the quarter ending June 30, 1956:

Class of Stock	Dividend Per Share
4.08% Cumulative Preferred . . .	\$1.02
4.18% Cumulative Preferred . . .	1.045
4.30% Cumulative Preferred . . .	1.075
\$1.40 Dividend Preference . . .	.35
Common . . . . .	.45

All dividends are payable on or before June 30, 1956 to stockholders of record May 31, 1956.

F. MILTON LUDLOW
Secretary



PUBLIC SERVICE
CROSSROADS OF THE EAST

SOUTHERN NATURAL GAS COMPANY

Birmingham, Alabama

Common Stock Dividend No. 69

A regular quarterly dividend of 45 cents per share has been declared on the Common Stock of Southern Natural Gas Company, payable June 13, 1956 to stockholders of record at the close of business on May 31, 1956.

H. D. McHENRY,
Vice President and Secretary

Dated: May 12, 1956.



DETROIT STEEL CORPORATION

COMMON STOCK DIVIDEND NO. 105

On April 26, 1956, the Board of Directors voted a cash dividend of \$.25 a share on the Common Stock payable June 12, 1956, to holders of record May 25, 1956.

PREFERRED STOCK DIVIDEND

At the same time a dividend of \$1.50 a share was declared on the 6% Preferred Stock payable June 20, 1956, to holder of record same date.

R. A. YODER
Vice President—Finance

seems likely to emerge from her economic impasse. The one dark spot on the horizon is the very recent break in world copper prices which declined to 42 cents per pound in London within the last month. There is still no copper surplus in the world but the acute shortage has certainly disappeared. There is little danger of any further sharp drop in the immediate future in view of the still existing order backlog and the expected large purchases by Japan and, possibly, the Soviet Union. However, as far as the longer trend is concerned, copper may well have started on the inescapable downward phase of its cycle.

Southeast Asia Swinging Toward Soviet Bloc

The West is in the process of losing the economic cold war in Southeast Asia. Burma, Ceylon and Indonesia have all shown increased evidence lately that in the future they will rely more on Soviet than on Western trade and aid, despite the fact that none of the three countries has a Communist government. All three have spurned U. S. aid in the past because they felt there were too many strings attached to it.

It is difficult to understand how they can fail to see the much more obvious strings attached to the Soviet aid programs which they are about to accept. Burma's difficulty is the depressed state of the world rice market. The U. S. can not be of much help since it has itself a big rice surplus which it is now selling in Burma's Far Eastern markets — Indonesia, India and Japan — for local currency. The money is then returned to the rice-importing country in the form of a loan. Thus, these countries get both rice and funds by taking advantage of our agricultural surplus disposal procedure. Naturally, Burma can not compete and therefore has no choice but to accept the various offers from Soviet countries to buy a total of at least 600,000 tons of rice annually over the next four years. Since the Soviet countries are not willing to pay cash for their purchases but wish to barter them against capital equipment and consumer goods, Burma's imports from the Soviet bloc have grown from 3% of total imports in 1955

to over 25% in the first few months of this year. The U. S. State Department reportedly would have liked to get the Burmese off the hook by purchasing some rice from them but the Agriculture Department turned thumbs down on the idea.

In Indonesia, the Soviet Union has recently made a large-scale offer to finance major industrial and agricultural development projects. The offer was welcomed by Indonesia's new Prime Minister Ali Sastroamidjojo, whose professed "neutrality" is decidedly of the pro-Soviet variety. Indonesia is currently getting about \$11 million of U. S. aid in the form of technical assistance but has refused to accept any economic development funds from the U. S. The country has large U. S. investments, especially in its oil industry, and is one of the Free World's major tin and rubber suppliers. It has also a very large Communist party, which received over 6 million votes at the recent elections and holds 39 seats in the new Parliament. At present the Communists are excluded from the Government, but a slight switch of the left-wing elements in Premier Ali's Nationalist party could bring about a parliamentary majority of Communists and fellow-travelers, who would then be called to form a new government. The tremendous propaganda value of the Soviet aid program could well lay the foundation for such a move. Indonesia's President Sukarno has made a journey to Washington to return Secretary Dulles' recent visit to Jakarta. The trip could result in improving U.S.-Indonesian relations but it must be remembered that after Washington Mr. Sukarno is scheduled to go to Moscow.

In Ceylon, the issue is slightly different since that country is still a dominion of the British Commonwealth. However, the recent elections have given a clear majority to a party which is opposed to Ceylon's continued membership in the Empire, favors the early establishment of diplomatic relations with Moscow and Peiping, is committed to oust the British from their air and naval bases in Ceylon and wants to nationalize the country's rubber plantations and industries. In due time the new government

of S. W. Bandaranaike will undoubtedly do all these things but at least it does not seem to be in a hurry. The Prime Minister is not insisting on an immediate closing of the British bases and he has made it very clear that he is not going to press for early nationalization of private enterprises and will pay adequate compensation whenever nationalization does take place. Just before the election several international oil companies, including some American firms, decided to build a large refinery near Colombo. The unexpected change in the political climate from a pro-Western pro-private enterprise philosophy to neutrality and socialism may well cause the group to re-examine its plan.

We have managed to retain at least a small vestige of influence in all three countries. The Burmese government still uses the services of an American consulting firm to draw up its economic plans, the Indonesians are reported to be working on the final draft of a new mining code which will give American, British and Dutch oil and tin companies the chance to prospect in new areas, while the new Prime Minister of Ceylon has gone to great lengths to deny any ascribed anti-Western sentiment and has just accepted the country's first U. S. aid program amounting to \$5 million, against the advice of his more militant associates, who want to reduce all ties with the West. However, in the long run there is little doubt that these countries will be drawn more and more into the Soviet orbit, which offers them an outlet for their surplus commodities and a supply source for their development needs. Perhaps, the only way to stave off such a course would be to take economic aid out of the competition of the East-West struggle and administer it solely through the *United Nations*. French Foreign Minister Christian Pineau and our chief U. N. delegate, Henry Cabot Lodge, have recently come out in favor of such an approach, which has the unqualified support of most underdeveloped countries. However, President Eisenhower poured cold water on the idea at his last press conference when he expressed doubt about its feasibility in terms of political realism. Yet

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unless a true separation of foreign aid and world power politics can be achieved we are likely to lose the underdeveloped countries along the borders of Russia and China to the Soviet bloc.—END

New Management Revitalizing Montgomery Ward & Co.

(Continued from page 295)

expansion. In addition, other institutions having a high enough opinion of Sears spent \$108 million of their own money to provide new facilities for the company. The total of the sums invested for these purposes by the company and others amounted to \$207.3 million. This is exclusive of the dollar cost of selling unit expansion in Simpson-Sears in Canada and in Sears' Latin American subsidiaries. In the four years, Sears increased consolidated net sales from \$2.6 billion to \$3.3 billion, a gain of roughly \$700 million while Wards' net sales in the final three years of Avery management dwindled from \$1,084 million in fiscal 1952 to \$887.3 million in the year ended January 31, 1954, a decline of \$197 million.

In view of this dismal record, which was in contrast to its big competitors continuous surge forward, it was within reason for Wards' stockholders to begin to ask where was bottom in sales and earnings for their company. The discontent felt by a great number of investors with a stake in Wards helped the revolt sparked by Wolfson to oust Sewell Avery as Board Chairman. As an aftermath of proxy battle he gave up his position as Chairman, being succeeded by 47-year-old James Andrew Barr who also became president of Wards upon the resignation of Edmund A. Krider who held that post under Avery.

A Fortunate Turn of Events

James A. Barr was no stranger in Wards' management. For six years he had been vice president and secretary of the company. Although he was loyal to Avery as chairman and as a man, his first interest was Montgomery Ward & Co., but he didn't seek the top post, accepting the offer of the chairmanship on that basis. This was a fortunate turn of events for Wards by reason of

the fact that probably nobody was more full informed than Mr. Barr regarding the company's ills and the treatment that had to be prescribed to restore it to sound and vigorous health.

One of his first moves was to get together a strong management team, promoting outstanding individuals within the organization and bringing in others from the outside. Included in group are old Ward men such as Joseph C. Kracht to head the retail store management, and Chester W. Anderson to be responsible for the mail order department. To fill the post of secretary, Barr was successful in bringing in Charles J. Barnhill who, like Kracht and Anderson, had resigned from the company during recent years of the Avery era. Since then, Louis E. Wolfson, satisfied with the Barr leadership, has resigned as a director which action has been followed by the resignations from the Board of Miss Bernice Fitz-Gibbon and Alexander Rittmaster III, Wolfson's two associates. In their place are vice president Kracht, L. R. Lohr, and H. P. Davison, again renewing the relationship between the company and J. P. Morgan & Co., that was interrupted when both George Whitney and Mr. Davison resigned from Wards directorate because certain differences of opinion arose as to matters of policy as dictated by the old management.

Barr Stirs Up Enthusiasm

Having organized his board of directors and a strong team of top operating managers that would work in harmony, Chairman Barr, with the aid of his lieutenants has set about to strengthen personnel right on down throughout the entire organization. As he expressed it: "The things which we are doing, and which must be done, to re-establish Montgomery Ward as a top leader in the retail industry can only be done through people—able people who are interested in their work and who work earnestly at their respective tasks." Indicating the extent to which Montgomery Ward had declined, he pointed out: "In some section of the organization our staff had been depleted to an alarming degree with the result that many of our people have



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DIVIDEND NOTICE

Directors of Jefferson Lake Sulphur Company at a meeting held on May 7, 1956, declared the regular quarterly dividend (No. 52) of 40¢ per share on the Common shares, payable June 8, 1956, to shareholders of record May 25, 1956.

CHAS. J. FERRY
Vice-President & Secretary

USS HORNET (CV-12) EIGHTH
ANNUAL REUNION TO BE HELD
IN NEW YORK CITY, JUNE 15TH,
16TH, 17TH AT THE PARK
SHERATON HOTEL.

All officers and men who served
aboard interested in attending
please contact:

KENN HENDERSON
U.S.S. HORNET (CV-12) CLUB
BOX 312
WALL STREET STATION
NEW YORK 5, N. Y.

had to work under severe handicap and the corporation has been unable to realize the full potential of its opportunities. This condition is being corrected."

In his opinion, "the most valuable asset we have at Wards is our people." This is something that Sewell Avery, in his latter days as Chairman, seemed to ignore or forget. Under the latter's policy, store managers and buyers were practically shorn of their duties. As the story goes, a buyer's selection of ladies hats was subject to the personal veto of Mrs. Sewell Avery. It was long evident, from repeated waves of resignations by top management, that they didn't dare voice disagreement with Avery's ideas. This "hog-tying" of store managers, buyers and others all down the line is a thing of the past. Personnel all through the organization now show a new spirit and increasing enthusiasm with the realization that the dignity of man is once again being respected.

Wards Takes On A New Look

This rejuvenation is being duplicated in Wards retail stores through new management concentrating the major portion of its initial efforts on plans to improve present units, rather than the opening up of more retail outlets. The program involves both improvements in physical appearance and in merchandising methods. By abandoning the old level counter top display of most lines of merchandise and in place thereof building displays up over the counters, the stores are taking on a new look. The method being adopted makes full use of the fixtures now in place, and permits merchandise being displayed much more attractively and interestingly. Other advantages to be gained are fuller use of space and the showing, in some departments, up to 66 per cent more merchandise than was possible under the old display method. Additional steps to bring stores up-to-date include the setting up of color standards which will be applied to many of the units this year, air conditioning of some of the stores, and where needed, new lighting arrangements will be installed.

Simultaneously with these moves has been the attention on the part of present management

to Wards mail order business. In that division, sales had declined each year from 1950 to 1955, and the number of mail order customers had been dwindling for eight years. To reverse this trend, the company set out last fall to open 100 new catalog stores through this year. So far 51 of these catalog stores and five new telephone order offices have gone into operation, and it is expected that by August, this year, all 100 will be functioning. With this accomplishment, Wards will then plan to start on another 100 of these units. As a further means of stimulating sales of the division, several improvements have been made in the catalog, one of which is the use of photographs of live models to display wearing apparel, something that was taboo when Avery was exercising one-man control of the company.

Barr's first year as chairman and president was one of internal reorganization and laying of plans to bring Wards to a position where it ranks as one of the leaders in the merchandise field. A little time was lost because of the need to form his organization for planning but results for the full year ended last January 31, indicate that the company is on its way toward this goal. During that period sales in each quarterly period moved progressively higher, bringing the total for the 12 months to \$969,946,996, this being a gain of 9.3 per cent over fiscal 1954 sales of \$887,336,812 and represented a reversal of the down-trend in sales which started in 1951.

Earnings for the year were \$35.4 million, equivalent to \$5.23 a share of common stock. In fiscal 1954, earnings were \$35.2 million, or \$5.20 a share. For the first quarter ended last April 30, it is estimated sales ran about 10 per cent ahead of the corresponding quarter of last year. It is expected, however, that net earnings for the latest three months period will fail to show the same gain as sales, considering higher catalog expense, increased store advertising, and expenditures for display and store modernization.

The company closed fiscal 1955 with strong finances. Working capital amounted to \$612.5 million, being 7.3 times total current

assets of \$97.3 million. On the same date, cash and securities were \$241.4 million compared with \$327.2 million last year, the reduction resulting principally from the use of approximately \$104 million to finance increased accounts receivable and larger merchandise inventories. Common shareowners' investment as of January 31, 1956, totaled \$643.5 million, equal to \$95.88 a share.

Dividends on the common stock in the third quarter of fiscal 1955 were raised from 75 cents to \$1.00 quarterly, bringing the total payout, including an extra of \$1.25 paid last January, to \$4.50. Effective May 31, 1956, is a two-for-one split of the common shares which will, it is believed will be put on a 65 cent-quarterly dividend basis although no announcement to this effect has yet been made.

The new stock is currently selling on a when-issued basis at 44. Assuming a \$2.60 annual dividend, the shares are presently selling to yield 5.9%. While current earnings provide meager coverage for such a payment the company's strong finances afford good protection for the maintenance of this rate. It would be unreasonable to expect Wards new management to immediately bring about a sharp upturn in earnings, but in view of the well planned program to restore the company to its former position, earnings should show year to year gains. On this outlook, present holdings of the common stock should be retained and for investors seeking income as well as opportunities for possible long-term capital gains, the shares, at current market value, should prove attractive.

—END—

For Profit and Income

(Continued from page 301)

ing point of major uptrends. If it does so in this instance, that could mean a further rise on the order of 15%-18% over a period of time. The "If" should be emphasized. This is obviously a late point at which to buy rails; but better-grade issues should be held for possible higher prices after present reaction runs its course. One of the star performers recently was Western Pacific. Exceptional potentials in it were pointed out in our issue of last

November 12, when the stock was at 59. It is now at 83½, off from recent high of 86. Other above-average rails include Atchison, Southern, Louisville & Nashville, Northern Pacific, Illinois Central, Kansas City Southern, and Chesapeake & Ohio.

Steel Equipments

Leading steel companies are committed to large further expansion and modernization programs over the next several years, regardless (the managements say) of interim fluctuation in steel demand. To meet expected long-range market needs, U. S. Steel figures on "minimum" capital outlays of \$150 million a year for capacity enlargement over the next 10 years, or a total of \$1.5 billion; and average spending of \$50 million a year over the next five years for replacements and modernization, or a five-year total of \$1.75 billion. In any event, suppliers to the steel industry have heavy order backlogs and a promising vista for a long time to come. They include Harbison - Walker and General Refractories, the two leading makers of refractory materials; and Mesta Machine, maker of steelmill machinery. All three were recommended here early in January: Harbison-Walker at 53 and now at 58; General Refractories at 35 and now at 45; Mesta at 48½ and now at 62. They are still promising holdings and suitable for venture-buying on corrective dips.

Cups

Dixie Cup and Lily-Tulip Cup had major advances, in line with growth of sales and earnings, up to about mid-1955, reacted sharply over a period of several months thereafter, leveled out for an extended period, then came to life with good recent rallies. There is nothing new to account for the latter. It was probably due to buying based on the reasoning that the stocks were behind the market, and at considerably more moderate price-earnings ratios than was so around their 1955 highs. In both cases, share earnings figure to rise at least moderately this year, dividends modestly; with net income at new peaks. However, much of the bloom is off this rose. The attraction of the business brought new competitors into it and induced a large expansion of over-all capacity. The previous growth rate has

slowed markedly. There is some opinion that the future may belong to polyethylene, rather than paper, cups. If so, that would mean a revamping of facilities by present cup makers, also probably additional competition. At their improved market levels at this writing, these two stocks strike us as logical candidates for profit-taking. —END

Keeping Abreast of Industrial and Company News

(Continued from page 308)

and foreign routes, follows President Eisenhower's approval early this year of a Civil Aeronautics Board decision to permit the consolidation. The President is required to rule on airline cases involving international routes.

W. R. Grace & Co. plans additional growth. J. Peter Grace, president, told the annual meeting this month that the company expects to authorize a total of \$100 million in capital expenditures for 1956. This is a sharp rise from the \$8 million expended in 1951. Earnings of the foreign group, the steamship group and the general business segment all were higher in the initial period of this year. Earnings of the chemical group also improved despite a general weakness in the market for agricultural chemicals.

Whirlpool-Seeger Corp. has begun work on an expansion program at its Evansville, Ind., division that will cost \$19 million in 1956.

American Metal Co., Ltd. and Cerro de Pasco Corp., large non-ferrous metal-mining companies owning oil interests, and J. C. Trahan, an independent drilling contractor of Shreveport, La., have formed a company to engage in offshore oil drilling in the Gulf of Mexico. The new corporation, Trahan Exploration, Inc., is expected to take delivery of the first drilling barge this fall.

Gulf Oil Corp. will begin construction presently of a new 26,000-barrel-a-day catalytic reforming unit at its Philadelphia refinery. The unit will be the second of



YOU GET THE GOOD THINGS FIRST FROM CHRYSLER CORPORATION

DIVIDEND ON COMMON STOCK

The Directors of Chrysler Corporation have declared a dividend of seventy-five cents (\$.75) per share on the outstanding common stock, payable June 13, 1956 to stockholders of record at the close of business May 14, 1956.

GEORGE T. HIGGINS,
Secretary

Johns-Manville Corporation

DIVIDEND

The Board of Directors declared a quarterly dividend of 50¢ per share on the Common Stock payable June 8, 1956, to holders of record May 28, 1956.

ROGER HACKNEY, Treasurer

IBM INTERNATIONAL BUSINESS MACHINES CORPORATION

590 Madison Ave., New York 22, N. Y.

The 165th Consecutive Quarterly Dividend

The Board of Directors of this Corporation has this day declared a Quarterly Cash Dividend of \$1.00 per share, payable June 9, 1956, to stockholders of record at the close of business on May 22, 1956. Transfer books will not be closed. Checks prepared on IBM Accounting Machines will be mailed.

C. V. BOULTON, Treasurer

April 24, 1956

Atlas Corporation

33 Pine Street, New York 5, N. Y.

Dividend No. 58 on Common Stock

- Regular quarterly of 60¢ per share
- Payable June 20, 1956
- Record May 24, 1956

WALTER A. PETERSON,
Treasurer
May 15, 1956

DREWRY'S

A quarterly dividend of forty (40) cents per share for the second quarter of 1956 has been declared on the common stock, payable June 11, 1956 to stockholders of record at the close of business on May 25, 1956.

Drewrys Limited U. S. A., Inc.
South Bend, Indiana
T. E. JEANNERET,
Secretary and Treasurer

the kind proposed for the refinery. Gulf last month announced it would build a similar unit there as part of a \$35 million improvement program at that facility. —END

Companies Prepared For Today — and Tomorrow

(Continued from page 277)

new sources of iron ore and other vital raw materials. In 1955 its capital expenditures for these and other improvements amounted to \$239.8 million, bringing total expenditures for similar purposes in the postwar years to approximately \$2.9 billion. To serve the needs of its customers and the nation, Steel estimates it must expand its capacity by a million tons annually. That, it expects, will cost about \$150 million in each year which is in addition, according to calculations by its engineers, to expenditures of \$350 million each year for replacement on the basis of present construction costs, making total capital requirements come to about \$500 million a year.

Last year, Steel's reinvested profits amounted to \$220 million. In addition, it recovered through normal depreciation about \$140 million, plus another \$145 million under benefit of certificates of necessity permitting fast amortization. This latter special depreciation, however, will expire within about the next two years after which some thought will have to be given to the problem of providing more funds either from retained earnings and through Congress reappraising the present depreciation provision of the law and permitting more realistic depreciation charges to ease the burden caused by inflated replacement costs.

Against immediate needs for its program, however, Steel has already set aside \$300 million. This is exclusive of current assets totaling \$1,343 million of which as of December 31, last, \$249.8 million was in cash and \$317.6 million was represented by U. S. Government securities, at cost. Working capital at the end of 1955 totaled \$695 million and the excess of assets over liabilities and reserves amounted to \$2,582 million.

Allegheny Ludlum Steel Corp., seeing the need for the improve-

ment of existing products and processes, and the development of new products for the future began several years ago to place constant and growing emphasis on technological developments and research. To conserve the supply of nickel in periods of recurring shortage, it pioneered in developing a group of chrome-manganese steels which replace half their nickel content with manganese. Last year, two such alloy steels were recognized and became standard industry grades. The introduction of these alloy steels followed another new stainless alloy introduced in the previous year to meet the urgent needs of the aircraft industry. Other needs of that industry for improved super alloy steel for high temperature use in jet engines lead to the development of an entirely new branch of technology and production, involving a new consumable electrode vacuum remelting of high temperature super alloys, tool and die steels, and certain other high alloy specialty steels. The new remelting technique makes possible the production of such jet engine alloys in large ingots, of heretofore unobtainable purity.

In addition, Allegheny Ludlum continues its activities in the field of melting and processing zirconium for atomic energy applications, while an affiliate, Nuclear Metals, Inc., is specializing in research and development work in such materials as uranium, thorium, beryllium, zirconium, and their alloys. Jointly with National Lead Co., A-L owns the Titanium Metals Corp. of America, fully integrated producer of titanium sponge and the largest single producer of mill products in the titanium industry.

To keep pace with demand for its products and improved technology, Allegheny Ludlum, in the postwar years to the end of 1955, has expended about \$102 million for modernization and expansion of production facilities. In that time it added another \$37.7 million to working capital items and other assets to support the increased volume of business. Of the total \$139.7 million spent on new plant or added to working capital, \$87.4 million, or 63% was derived from internal resources of retained earnings and depreciation and amortization provisions. Additional new capi-

tal was obtained from the sale of \$18.3 million of stock, and from borrowings of \$36.1 million, of which \$3.7 million has been repaid. Its consolidated balance sheet as of last December 31, discloses strong finances. As of that date cash and U. S. Government securities totaled \$23.6 million, bringing total current assets to \$88.8 million as compared with total current liabilities of \$40.1 million.

New Products Key To Growth

General Electric Company, highly successful in the past has been basically rebuilt in the last 10 years in anticipation of the growth that was recorded in the postwar era and the further growth expected to be recorded in the years to come. In achieving these objectives the GE organization has been changed from a centralized structure to as broad a decentralization of responsibility and authority as can be found in industry. New facilities, strategically located, in preparation for a period of planned expansion are on such a scale that at the end of 1955 it had 138 highly productive plants in 107 cities in 28 states. These facilities, strategically located, incorporate the latest advances in manufacturing technique to produce improved and new products. In the 10 years to 1955 year-end it has invested more than \$1.1 billion in expansion and modernization, keeping constantly in mind that improved values and new and improved products are the key to growth. In the past—perhaps to a greater degree than almost any other American company—it has introduced new products which developed into large-scale, highly competitive industries providing employment opportunities for thousands of workers. Because of its progress in product development about 70,000 GE employees are now working on products which the company did not make in 1939.

To illustrate the growth of the business, GE now employs some 16,000 people in the electronics field in Central New York alone. To enumerate new products brought out in recent years would require the listing of hundreds of items in various classifications ranging from huge generators and other power plant equipment to products for other industries



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and the home. Perhaps one of its most sensational developments was the "laboratory achievement" last year of man-made diamonds which are now being produced so successfully in a pilot-plant operation that it is predicted "man-made diamonds will have an important impact on American industry and defense." These are industrial diamonds for cutting and grinding operations, basic to a large segment of industry, and the speed and efficiency of such operations exerts great leverage on the American economy.

Other 1955 developments which tend to illustrate the great product diversification of GE as well as pointing up its constant looking ahead include an improved "Weathertron" for all-electric heating and cooling, and a portable television and tiny radio using transistors in place of conventional vacuum tubes. Then there is its wireless clock, employing an electronic circuit to extract electrical impulses from the air, and floor and table lamps that go on by a touch of the finger and which can be turned off the same way.

Anticipating continued growth in the nation's electrical consumption to close to 1.5 trillion kilowatt hours by 1966 as compared with an estimated 680 billion for 1956, GE cites the importance of research and development as the best guarantee for progress. In carrying out its plans for the future it has, for the first time in recent years, resorted to outside financing by borrowing last March \$100 million on a short-term basis, and has also completed a public offering of \$300 million of 3½ per cent long-term debentures. This borrowing program, the company believes, is currently preferable from the standpoint of the overall best interests of the shareowners to alternative methods of financing involving reinvestment of a larger portion of earnings in the business or issuance of additional stock. The company estimates continued need for modernization and expansion of facilities over the next three years will require expenditures of approximately \$500 million. In addition, its anticipated increased sales volume will require a growing investment in inventories and receivables. Another factor to be considered is the cumula-

tive effect of the Government's program for acceleration of Federal tax payments which by 1959 will necessitate payment of 50% of the current year's Federal taxes within the current year instead of paying all of the taxes the following year.

General Electric, which has paid dividends for 57 consecutive years, showed 1955 earnings equal to 18.8% of invested capital, consisting of shareowners' investment plus long-term debt or notes payable. At the year-end its total current assets were \$829.21 million of which \$116.1 million was made up of cash and marketable securities, including U. S. Government and state issues, and high-grade short-term commercial paper. Current liabilities and reserves totaled \$658.6 million.

Introducing Two New Products A Month

Union Carbide and Carbon Corp., is another company that has gone forward along an extremely broad front preparing for today's markets and to meet the nation's future needs. Its rate of progress, especially in recent years, can be gauged by the fact it is now introducing new products at the rate of two every month and that of last year's sales totaling \$1,187 million, approximately one-third of that sum and almost one-half of net income totaling \$140.7 million came from new products that were not available 15 years ago. Included in the list of new products are chemicals and plastics, alloys and metals, industrial gases, and carbon products.

In the 10-years from 1946 through 1955, its expenditures for new facilities have amounted to \$1,048 million. Last year approximately \$102.5 million was invested for the construction of new facilities, and it is contemplated that in 1956 expenditures for similar purposes will be somewhat higher. In preparation for markets of tomorrow a large portion of these expenditures will continue to relate to facilities for the production of newer chemicals and plastics, special alloy steels to cope with searing jet engine temperatures. This, of course, is only one activity of UCC's Alloys and Metals Group. As a result of growth of its Chemicals Group, Carbide now makes about 400 organic chemicals from such abun-

dant raw materials as natural gas and petroleum which are literally torn apart and their atoms are rearranged to form new chemical patterns which for the most part are starting materials for numerous industries. They go into the making of almost everything from floor waxes to flavoring extracts for ice cream.

Among recent UCC developments has been the pouring of the first heat of titanium metal sponge several weeks ago at the new Ashtabula plant of Electro Metallurgical Co., a UCC division, marking the company's entry into the titanium metal sponge field on a commercial basis. The plant with a capacity of about 7,500 tons of titanium metal sponge a year is the largest built to date and was privately financed by the company.

As of last December 31, Carbide had outstanding \$410 million in promissory notes, \$300 million of which run to November 1, 2051. At the 1955 year-end its holdings of cash and U. S. Government and other marketable securities totaled \$301.7 million. That sum, together with \$142.7 million in receivables and \$232.7 million in inventories, brought total current assets to \$677.2 million as compared to \$229 million total current liabilities.

Progress is an American Product

These brief delineations cover but a few of American corporation managements that through vision and, in some instances, audacious courage long ago began preparing to meet the nation's needs of today and in the same spirit continue to prepare for tomorrow. Their accomplishments have been the advancing of productive technology and creating revolutionary products which in turn have brought into existence virtually new industries. To those companies mentioned in this article can be added many more whose managements, also endowed with vision and inspired thinking, have grown in stature by preparing to meet today's needs and tomorrow's requirements of industry and the consuming public. Some of these companies are listed in the accompanying compilation that sets forth condensed statistical data portraying their growth in recent years. All, along with others not shown, have made the United

States a still greater nation and have contributed and should continue to contribute beyond measure to the welfare of all our people. —END

The Corporate Dollar — Where It Goes

(Continued from page 279)

3. From borrowing — on short-intermediate-term notes from banks, or on intermediate or long terms on notes, bonds or debentures from the investment market or insurance companies.

Earnings and Dividends

While it is axiomatic that dividends can come only from earnings, it is nevertheless a fact that companies can, and do, pay dividends even in times when they are not earned. Usually, such instances are confined to corporations with strong financial position. Thus, Westinghouse Electric Corp., caught in a costly five-month strike, continued to pay dividends, although the shareholders had to be satisfied with the regular quarterly and do without the extra disbursed in 1954.

In 1931, 1932 and 1933, years of severe depression in this country, American corporations showed a net deficit for those three years of over \$5 billion (see accompanying table). Yet shareholders in those years of successive deficits received a total of nearly \$9 billion in dividends.

Ratio Of Payout

In the first six years following World War II American corporations, in total, followed a policy of disbursing in dividends less than half of their net profits. This pattern was altered, beginning with 1952, and each year since has been marked by dividend payments that exceeded retained income.

Despite the record capital needs amid a growing scarcity of money, dividend disbursements this year are outdistancing the 1955 showing.

Companies listed on the New York Stock Exchange last year paid common stockholders a record \$7,488,028,780. It was the first year in which cash common dividends ever reached or topped the

\$7 billion figure. It also marked an increase of 15.7% (more than a billion dollars) from 1954.

All dividends paid by companies (listed and unlisted) last year reached a record \$11.2 billion.

The dividend pattern, of course, has been, and will continue to be, as varied as the product mix of the nation's industrial complex. Thus, there are industries—notably steel—which are about to embark on record-size expansion programs and not only lack the funds needed to carry forward these projects, but feel that prices must be increased *now* to enable them to defray such costs. For some businesses it is possible to replace old facilities and carry out needed expansion from current earnings without resort to price boosts. In the steel industry, however, plant facilities are so durable that they sometimes last through two or three cycles of rising and falling prices.

United States Steel Corp., as a case in point, has calculated it will be necessary to spend \$350 million per year on replacements alone. To replace an open hearth steel-making furnace that cost \$10 million to build in 1930 costs \$64 million at today's prices.

The investor studying the pie chart or dollar-breakdown in the corporate annual report would do well to keep in mind the impact on the corporate dollar of an inflationary spiral. It is in this light that we must gauge the modest set-aside of corporations for such vital items as wear and tear, obsolescence of plant and equipment, for use in the business and to provide facilities and working capital.

Suiting the Investor

While figures in the aggregate are interesting and enlightening, in the final analysis the investor must judge each corporate report in the light of his own needs. Thus, the investor, in the high-income bracket, may prefer a growth issue which pays modest dividends or little cash plus stock. Such an investor will turn to the company that is plowing back large sums into the business. On the other hand, such a situation may not be to the liking of an investor who has retired from business and is dependent on a generous dividend flow. He also is primarily interested in preservation of his capital.

NATIONAL STEEL Corporation



106th Consecutive Dividend

The Board of Directors at a meeting on May 15, 1956, declared a quarterly dividend of one dollar per share on the capital stock, which will be payable June 11, 1956, to stockholders of record May 25, 1956.

PAUL E. SHROADS
Senior Vice President



CONTINENTAL CAN COMPANY, Inc.

A regular quarterly dividend of ninety-three and three-quarter cents (\$.9375) per share on the \$3.75 cumulative preferred stock of this Company has been declared payable July 2, 1956, to stockholders of record at the close of business June 15, 1956.

LOREN R. DODSON, Secretary

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a dividend of 50 cents per share on the 10,020,000 shares of the Company's capital stock outstanding and entitled to receive dividends, payable June 15, 1956, to stockholders of record at the close of business May 25, 1956.

E. F. VANDERSTUCKEN, JR.,
Secretary

In June 9 Issue of THE MAGAZINE OF WALL STREET

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For all investors, whatever their tastes and needs, the factors cited in the foregoing permit factual analysis. All corporate reports make it clear that the investor must vie sharply these days with labor, the silent partner called Government and other elements for his rightful share of the business his investment has fostered.

—END

Answers to Inquiries

(Continued from page 307)

liquid shortening, household ammonia, various paint accessories, and other items, a quart beer can with a reclosure cap, and company's soft-drinks can. Another new development, which is still in the early stages of research, is an all-purpose container made of steel coated with aluminum rather than tin, and with a sideseam which is welded rather than soldered.

A new process that promises to take 98% of the tin out of more than 10 billion tin cans was announced this month by the company.

The development, known as margin plating, consists of tin-plating only the narrow margins of the steel plate that form the soldered sideseams of the cans. Except for these margins, which aren't more than three-sixteenths of an inch wide, the cans are made entirely of enameled steel plate.

Sales and earnings for the first quarter of 1956 showed a further increase with net sales and rents \$155,260,838, net profit \$5,700,385, equal to 46 cents per common share. This compares with first-quarter 1955 net sales and rents of \$136,722,690, net profit \$5,245,088, equal to 42 cents per share. Prospects for the balance of the year continue favorable. Dividend rate is \$2 annually.

Olin Mathieson Chemical

"I own 50 shares of Olin Mathieson Chemical Co. and have noticed that this stock has lagged behind the market action of other leading chemical companies. Can you please explain this and advise whether I should retain this stock?"

H. R., Jacksonville, Fla.

Olin Mathieson Chemical Corp. operations are greatly diversified. The stock has been a relative market laggard and this has been due, to some extent, to the fact that sufficient time is necessary for the consolidations of recent acquisitions and mergers and this diges-

tion period does not appear to have been completed as yet. Moreover, the company has a substantial senior capitalization. As prospects for long-term growth appear bright, the stock warrants retention.

Olin Mathieson Chemical was formed in August, 1954, through merger of Mathieson Chemical and Olin Industries. This company now is the fifth largest in the expanding chemical industry. Diversified operations include industrial and agricultural chemicals, forest products, arms and ammunition, petrochemicals, paper and film, pharmaceuticals and drugs, metals. A substantial interest was acquired early in February, 1956, in F. H. McGraw & Co., a construction engineering firm.

Record sales and earnings for 1955 were reported by Olin Mathieson Corp. Sales rose approximately 11% in 1955 from 1954 and earnings increased by 17%. A number of steps was taken by the corporation to improve its activities in phosphate chemistry, cellulose chemistry, and the non-ferrous metals manufacturing fields. These include the addition of the phosphate chemical facilities of Blockson Chemical Co.; the finalization of the company's plans to enter the primary aluminum industry; and the integration of the Brown Paper Mill Co. timberlands, paper mill and paper-converting plant at West Monroe, La.

Consolidated net sales in the United States and Canada totaled \$560,480,335 in the 12 months ended December 31, 1955, rising from \$502,478,000 in the previous year.

Net profit advanced to a high of \$44,558,102 in 1955, from \$38,075,000 in 1954. The 1955 profit was equal to \$3.51 a common share, based on the average number of common shares outstanding during the year. This compared with \$3.11 per share in 1954 on the smaller average number of shares outstanding during that year.

After payment of all dividends, the amount of net income reinvested in the business amounted to \$19,607,000, or 44% of the net profit. These funds will be used for expansion of existing facilities, for financing a part of the corporation's recently announced aluminum program and for other

capital investments.

Sales of the corporation in the U. S. and Canada, during the three months ended March 31, 1956, totaled \$144,340,677, compared with \$128,697,280 in the same quarter of last year. This was an increase of approximately 12%.

Net income for the first three months of this year increased to \$10,080,099 from \$8,943,237 in the like period last year, a gain of 12.7%. This profit is equivalent to 76 cents per share of common stock on the average number of common shares outstanding during the quarter. For the first three months of 1955, earnings amounted to 72 cents a share on the average number of shares outstanding during that period. On March 29, 1956, the sale of outlying timberlands was formally completed. The corporation received approximately \$33 million for the timberlands in Arkansas, Louisiana and East Texas. This transaction is subject to the completion of certain final arrangements. No part of the profit resulting from this transaction has therefore been reflected thus far. It will, however, be reported in accounts before the yearend.

The company stated recently that "the era of merger and acquisitions for us has ended and with possible exceptions that can be taken care of by cash outlays, rather than stock issues, our growth will be from within from now on."

Companies Where Dividend Coverage Is Dwindling

(Continued from page 298)

first quarter against 58 cents for the corresponding quarter a year ago.

Earnings figures are a good rough guide of whether management is being over-liberal in its payments to shareholders. But it is not the only gauge that should be applied. The capital requirements of a growing business may dictate extremely low dividend payments for a time. Yet such companies usually provide far better investments, through capital appreciation and eventual stock splits and dividend increases, than do companies which endanger their future by paying shareholders more than the company can afford to distribute.

—END

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